DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES, EDUCATION, AND RELATED AGENCIES APPROPRIATIONS FOR 1987

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS HOUSE OF REPRESENTATIVES

NINETY-NINTH CONGRESS

SECOND SESSION

SUBCOMMITTEE ON THE DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES, EDUCATION, AND RELATED AGENCIES

WILLIAM H. NATCHER, Kentucky, *Chairman*

NEAL SMITH, Iowa
DAVID R. OBEY, Wisconsin
EDWARD R. ROYBAL, California
LOUIS STOKES, Ohio
JOSEPH D. EARLY, Massachusetts
BERNARD J. DWYER, New Jersey
STENY H. HOYER, Maryland
SILVIO O. CONTE, Massachusetts
GEORGE M. O'BRIEN, Illinois
CARL D. PURSELL, Michigan
JOHN EDWARD PORTER, Illinois
C. W. BILL YOUNG, Florida

HENRY A. NEIL, JR., FREDERICK F. PFLUGER, ROBERT L. KNISELY, MICHAEL A. STEPHENS, and BETTILOU TAYLOR, *Subcommittee Staff*

PART 1

DEPARTMENT OF LABOR

	Page
Technical Briefing	1
Secretary of Labor	21
Office of the Inspector General	111
Bureau of Labor Statistics	185
Mine Safety and Health Administration	277
Pension Benefit Guaranty Corporation	359
Employment Standards Administration	413
Labor Management Services	549
Occupational Safety and Health Administration	619
Departmental Management	707
Employment and Training Administration:	
Training and Employment Services	921
State Unemployment Insurance and Employment Service Operations	1157
1986 Rescission and Supplemental Request	954

Printed for the use of the Committee on Appropriations

U.S. GOVERNMENT PRINTING OFFICE
59-364 O WASHINGTON : 1986

For sale by the Superintendent of Documents, U.S. Government Printing Office
Washington, DC 20402

A 181-24

COMMITTEE ON APPROPRIATIONS

JAMIE L. WHITTEN, Mississippi, *Chairman*

EDWARD P. BOLAND, Massachusetts
WILLIAM H. NATCHER, Kentucky
NEAL SMITH, Iowa
JOSEPH P. ADDABBO, New York
SIDNEY R. YATES, Illinois
DAVID R. OBEY, Wisconsin
EDWARD R. ROYBAL, California
LOUIS STOKES, Ohio
TOM BEVILL, Alabama
BILL CHAPPELL, JR., Florida
BILL ALEXANDER, Arkansas
JOHN P. MURTHA, Pennsylvania
BOB TRAXLER, Michigan
JOSEPH D. EARLY, Massachusetts
CHARLES WILSON, Texas
LINDY (MRS. HALE) BOGGS, Louisiana
NORMAN D. DICKS, Washington
MATTHEW F. McHUGH, New York
WILLIAM LEHMAN, Florida
MARTIN OLAV SABO, Minnesota
JULIAN C. DIXON, California
VIC FAZIO, California
W. G. (BILL) HEFNER, North Carolina
LES AuCOIN, Oregon
DANIEL K. AKAKA, Hawaii
WES WATKINS, Oklahoma
WILLIAM H. GRAY III, Pennsylvania
BERNARD J. DWYER, New Jersey
BILL BONER, Tennessee
STENY H. HOYER, Maryland
BOB CARR, Michigan
ROBERT J. MRAZEK, New York
RICHARD J. DURBIN, Illinois
RONALD D. COLEMAN, Texas

SILVIO O. CONTE, Massachusetts
JOSEPH M. McDADE, Pennsylvania
JOHN T. MYERS, Indiana
CLARENCE E. MILLER, Ohio
LAWRENCE COUGHLIN, Pennsylvania
C. W. BILL YOUNG, Florida
JACK F. KEMP, New York
RALPH REGULA, Ohio
GEORGE M. O'BRIEN, Illinois
VIRGINIA SMITH, Nebraska
ELDON RUDD, Arizona
CARL D. PURSELL, Michigan
MICKEY EDWARDS, Oklahoma
BOB LIVINGSTON, Louisiana
BILL GREEN, New York
TOM LOEFFLER, Texas
JERRY LEWIS, California
JOHN EDWARD PORTER, Illinois
HAROLD ROGERS, Kentucky
JOE SKEEN, New Mexico
FRANK R. WOLF, Virginia
BILL LOWERY, California

FREDERICK G. MOHRMAN, *Clerk and Staff Director*

DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES, AND EDUCATION, AND RELATED AGENCIES APPROPRIATIONS FOR 1987

WEDNESDAY, FEBRUARY 19, 1986.

DEPARTMENT OF LABOR

TECHNICAL BRIEFINGS

WITNESSES

THOMAS C. KOMAREK, ASSISTANT SECRETARY FOR ADMINISTRATION AND MANAGEMENT

MARY ANN WYRSCH, BUDGET DIRECTOR

OPENING REMARKS

Mr. NATCHER. Today, we begin our subcommittee hearings for the Second Session of the 99th Congress.

You have all received a copy of our hearing schedule. Our hearings will ordinarily run from 2:00 to 4:00 on Mondays, and from 10 to 12 and from 2 to 4 on Tuesdays, Wednesdays and Thursdays.

There will be no hearings on Fridays, unless we get behind schedule. We expect to complete our hearings, including the outside witnesses, by April 30. This will give us plenty of time to mark the bill up in subcommittee and to report it to the full committee and take it on then to the House Floor, in compliance with the schedule established in the Gramm-Rudman Act.

In order to expedite the printing of the hearings, I would like to ask the members to hold down the number of questions to be submitted to be answered for the record.

Today, we will have briefings from the budget officers from the Department of Labor, Department of Health and Human Services and Department of Education.

Tomorrow, we will hear from the Secretary of Labor.

Our first witness this morning is Mr. Thomas C. Komarek, Assistant Secretary for Administration and Management, Department of Labor.

Mr. Komarek, you have been before our committee before. We are glad to have you back, and we will be pleased to hear from you.

BUDGET OUTLINE

Mr. KOMAREK. Thank you very much, Mr. Chairman.

On my right is the Department of Labor's Budget Officer, Mary Ann Wyrsch. What I would like to do this morning, if I could, Mr.

Chairman, is to provide a brief outline of the Department of Labor's budget for you, and then answer questions, as you see fit.

We prepared a brief outline of the budget, and if I could just walk though those pages, and hit on the highlights of our budget from our perspective, that is what I would like to do this morning.

The first chart that we have in the budget package we put forward displays our total Department of Labor request for budget authority and trust fund transfers.

You can see our fiscal year 1985 actual level for Appropriations Committee appropriations was $9 billion. Fiscal year 1986 enacted was $9.2 billion. As in all of the charts we will be displaying this year, this chart shows a revised fiscal year 1986 column, which incorporates assumed changes from the fiscal year 1986 enacted column, two factors being the large factor of the Gramm-Rudman reduction, a 4.3-percent across-the-board cut, and any rescissions that we are proposing this year.

In our last column, it shows our request to the committee of $8.6 billion for fiscal year 1987. Mr. Chairman, the major differences between our fiscal year 1986 enacted and our fiscal year 1987 request are proposed reductions in the Summer Youth Program, and our proposed reduction in the Job Corps Program.

On the permanent authority line, in fiscal year 1985, we have $26 billion, and it gets down to the $22 billion range for fiscal years 1986 and 1987.

The major reason for the difference is the decline in unemployment rates and unemployment insurance payments, which is the same reason for the reduction in offsetting collections.

We have for later transmittal about $111 million request which is associated with our proposal for putting the Railroad Retirement Funds under the regular unemployment insurance accounts.

FTE STAFFING

On the next page, I depict what the situation is in terms of the Department of Labor's full-time equivalent staffing. In fiscal year 1985, we used in the Department of Labor 18,176 FTEs. The appropriation for fiscal year 1986 was 18,548.

Because of Gramm-Rudman reductions in the Department, we will only be able to finance 18,058 of those 18,548, which means we will not be able to finance 490 FTE to live within the constraints of Gramm-Rudman.

Fiscal year 1987 request is for 18,155 FTE, which is an increase over our Gramm-Rudman level, but a decrease over our fiscal year 1986 appropriation.

The major differences between our appropriations, and our fiscal year 1987 request in terms of FTE are in the Employment Training Administration, 109 positions, and those are associated largely with our proposal to decrease the size of the Job Corps and not continue the Trade Act Program.

Other major reductions are in the BLS, 116 FTE, and out of those 116 FTE reduction in the Bureau of Labor Statistics, we had planned all along to reduce 64 of them as the CPI revision work got completed.

There is also a 1987 FTE reduction in the Employment Standards Administration.

GRAMM-RUDMAN-HOLLINGS REDUCTIONS

The next page outlines the key changes in our fiscal year 1986 budget. We have, throughout the Department, because of Gramm-Rudman-Hollings, a $362.6 million reduction.

In the accounts before this committee, that amount is $353 million. There is $9 million in reductions to our permanent authority accounts that typically this committee does not review, but we have, as I said, about $362 million in reductions in 1986 due to Gramm-Rudman.

1986 RESCISSIONS

We are proposing several rescissions in fiscal year 1986. We are proposing a rescission of $208 million in the Summer Youth Program. This will not impact on this coming summer, Mr. Chairman. The impact of this reduction will be in the summer of 1987, because of the forward funding situation.

Basically, the rationale for this reduction is that, as you recall last summer in many parts of the country, we were putting Summer Youth money into places, for example, like Montgomery County, where there was a situation where you could not fill all the private-sector jobs.

The intent in this reduction in the Summer Youth Program is to continue to target the remaining jobs, 467,000 jobs, in the areas where they are needed, and only withdraw those Summer Youth jobs from areas of the country where our experience indicates they no longer need the assistance of the Summer Youth Program.

In several parts of the country, our Summer Youth jobs are competing with private-sector jobs, and we have had youth selecting the Summer Youth jobs when they could have had a private-sector job.

On the other hand, we are very aware that in other parts of the country, largely the large cities, inner cities, the Summer Youth Program is very, very much needed.

We are proposing a rescission in the Job Corps in fiscal year 1986 of $196.5 million, a proposal to reduce the size of the Job Corps from its current level of 40,500 slots to a level of 22,000 slots, a reduction in the number of centers from about 107 down into the 50 to 60 range.

The decisions have not yet been made in terms of which centers would be kept and which would be eliminated. We are prepared to discuss with the committee as we go forward, the criteria that we would be using to make this reduction.

We are not saying at all that the Job Corps is a bad program. In fact, we are saying it is a very good program. What we are saying is in these times of fiscal constraint, that we do have some Job Corps Centers operating in effectively, and we think that there is an ability here to try to pick up some savings, to help us in this period of budget austerity, and at the same time not do major damage to the Job Corps Program.

We are asking for a rescission of about $10 million for the Rural Concentrated Employment Program, which already receives special treatment under the Job Training Partnership Act, and the $10 million which is appropriated this year for that program is not needed, given they already receive special treatment under the JTPA.

1986 DISLOCATED WORKER SUPPLEMENTAL

In fiscal year 1986, we are asking for a $74 million supplemental for Title III of JTPA, Displaced Worker Program, which brings the total amount of the Secretary's discretionary funding to $100 million for fiscal year 1986.

What we are finding in this area, Mr. Chairman, similar to what the Summer Youth program, we have some parts of the country that need this money very, very badly.

In other parts of the country, we find surpluses building up in this program. We are accompanying our request this year for a change in the appropriation language, to change the distribution formula in the Summer Youth Program, and also in the Title III Displaced Worker Program.

1987 BUDGET INCREASES

On the next chart, Mr. Chairman, we outline in fiscal year 1987 the increases that we are asking, and we are asking for quite a few increases in terms of numbers, but not in terms of big dollars.

Basically, there are several areas within the Department that we feel do require some additional money. In the Job Training Partnership Act, we are asking for $20 million in the pilots and demo account, and $10 million in the research and development account.

Basically, what we found, Mr. Chairman, is that the individual Job Training Partnership Act programs around the country have been unable, within their basic allocations, to do much research, to do much demonstration effort, in their local funding.

We think that an appropriate role for us at the Federal level is to go forward, do some research in this area to see if we can make improvements in the block grant.

So we feel this $20 million request for pilots and demo and $10 million for research and development is an investment to make the $1.8 billion block grant work better.

We are asking for an additional $10 million for UI research and development. We think by expending $10 million in the research and demonstration in this area, we can have a larger impact on this program.

In the Pension Benefit Guaranty Corporation, $4.2 million additional is asked for, to make sure we don't build up any serious backlog in the final benefit determinations in the pensions of the individuals.

We want to step up our premium collection activity in this area. We do have a deficit in this program.

In the Pension and Welfare Benefits Administration, we are asking for $1.1 million to improve the data collection effort in that program.

In the Occupational Safety and Health Administration, we are asking for $1.6 million additional over our base to replace some of the equipment that has become outdated, and if you will, just broken over the years.

We have not had any additional money for OSHA in this area for several years, to bring the equipment that they use up to state of the art, and given the importance of this program, we wanted to do that this fiscal year.

In the Bureau of Labor Statistics, Dr. Norwood is requesting $1.3 million to improve the file we keep on businesses, in order to benefit all of BLS's data collections that we do.

We are asking for $2.1 million additional to improve the Professional, Administrative, Technical and Clerical survey of salaries.

This particular survey is the one that is used to determine Federal pay comparability, and each spring or summer, when the question comes up as to, should there be a Federal salary increase, every year we hear complaints that the data is not sufficient in this program to make a fair determination, and we would like to remedy that problem.

We have a backlog in the Black Lung Benefit Program. We are asking for $800,000 to address that backlog. Also, in the longshore area, we are looking to avoid any backlogs, and are requesting funds for the Solicitor to represent to the Department, and the United States Government, in the various hearings on the Longshore Act Benefit Program.

In the Inspector General, we are asking for $1.2 million additional for contract audits. This is to some degree an offset because in the Federal employment levels, we are asking for a reduction of 36 FTE in the Inspector General area, and these two amounts tend to offset each other.

1987 BUDGET DECREASES

In fiscal year 1987, we are asking for some decreases as well. The major ones are the Job Corps Program, the additional $64 million beyond the reduction that we are proposing as a rescission in 1986. This will be the final tailing off of the Job Corps Program as we bring it down to the 22,000 slot level.

We are not asking that the Trade Act program be renewed.

I know Mr. Conte will be interested in this next reduction. The Congressman has been interested in this program for quite a while. We are not asking for additional money for the Permanent Mass Layoff and Plant Closing report in fiscal year 1987 and beyond.

We also feel we can save $1.4 million in fiscal year 1987, because of being able to reduce the sample size of the different samples that we take to accumulate the data, without hurting the actual quality of the data itself.

We also, in fiscal year 1987, will be able to decrease the Employment Training Administration support staff by $5 million, and it is about 109 FTE, and this goes along with the reductions in such things as the Job Corps Program, and the Trade Act Program. We don't need as many people in ETA management.

KEY POLICY POINTS

A few key policy points. First off, Mr. Chairman, in last year's budget, there is a proposal to radically change the way we finance the State employment security agencies—to hand the operation of that program back over to the States.

We learned in the last year there was a lot of disagreement about this approach. There were a lot of people in favor of it, but a lot of people had other feelings about it.

Basically, this year, Mr. Chairman, our budget says we still think this is a good idea, but we want to go forth this year, conduct some discussions with the key people involved, and then probably come back to you next year, Mr. Chairman, with a recommendation.

We think this is a good idea, but we want some more input from folks on the proposal.

The Youth Employment Opportunity Wage, we continue to support that proposal in our budget this year.

Our Black Lung Trust Fund, Mr. Chairman, is in serious financial trouble. We have a $3 billion deficit in that program. That program is supposed to be self-financing. We are proposing a coal tax increase for underground mines, current dollar per ton up to the $1.50, $1.60 range.

The Pension Benefit Guaranty Corporation trust fund is showing a deficit of $1.3 billion. We do need an increase in our premium which is currently $2.60 for single employer plans. The budget reconciliation language has $8.50 premium in it.

Our budget is based on $8.10, and the number can float around a little bit, but clearly the need is there for a premium increase for PBGC.

The Job Training Partnership Act—the Department, after some reevaluation, wants to be sure to maintain a leadership role in this program. You can see that, Mr. Chairman, in the fact that we are asking for an additional $20 million for pilots and demonstrations in this program, and $10 million for research and development, and this is to allow the Department to retain the leadership role, and to provide some assistance to the local programs.

We are continuing to push for increased targeting of our funds. As dollars become more scarce, it is important the dollars are targeted more effectively, and we want to target the dollars to the centers that have been the most cost-effective.

In the Summer Youth Employment Program, we are trying to target the remaining slots for those areas of the country where those funds are most needed, and in the Title III, Displaced Worker Program, we are asking for additional funds for the Secretary's discretionary account, so the Secretary can target those funds for areas of the country where they are most needed.

We also, in all of of our salaries and expense accounts, have a 3.2-percent productivity improvement built in. In some cases, this means we have asked the individual Department of Labor agencies to retain its current level of output, with a staffing decrease, and in other cases, we have allowed the agency to retain its current staffing level, but asked them to increase their output by 3.2 percent, but each of our salaries and expense accounts has a productivity improvement effort built into it.

That is a brief outline of our budget for fiscal year 1986 and 1987, and I would be more than willing to answer your questions.

[The information follows:]

FISCAL YEAR 1986-87 DOL BUDGET REQUEST

TOTAL DOL BA & TRUST FUND TRANSFERS

[Billions]

	FY 85 Act	FY 86 Enact	FY 86 Revise	FY 87 Request
Approp. Committee	$9.0	$9.2	8.5	$8.6
Perm. Authority	26.0	22.8	22.9	22.6
Off. Collections	(7.3)	(4.2)	(4.2)	(2.9)
Later Trans.				.1
Total Dol	27.7	27.8	27.2	28.5

TOTAL DOL FTE

FY 85 Actual	18,176
FY 86 Enacted	18,548
FY 86 Estimated (GRH)	18,058
FY 87 Request	18,155

KEY FY 86 CHANGES

	Millions
GRH	$362.6
Summer youth rescission	−208
Job Corps rescission	−196.5
Rural CEP rescission	−10
Displaced worker supp	+74

KEY FY 87 INCREASES

	Millions
JTPA pilots & demos	$20.0
JTPA R&D	10.0
UI R&D	10.0
PBGC backlogs	4.2
PWBA data	1.1
OSHA equipment & supplies	1.6
BLS business file	1.3
BLS PATC	2.1
Black lung backlog	0.8
Longshore Act	1.0
OIG contract audits	1.2

KEY FY 87 DECREASES

	Millions
Job Corps	$64.3
Trade Act	26.0
Mass layoff reports	4.8
BLS Sample detail	1.4
ETA support staff	5.0

POLICY POINTS

Study SESA Admin. financing.
YEOW supported.
Coal tax increase.
PBGC premium increases.
JTPA leadership role.
Increased targeting.
3.2 percent productivity improvement.

Mr. NATCHER. Thank you, Mr. Komarek.

As you know, we have 13 subcommittees on the Committee on Appropriations, and 13 subcommittee bills. We take the budget that is sent up each year and divide it up into 13 parts.

For the third consecutive year, the President has signed our bill, and we are right proud of that. It speaks well for the subcommittee and it speaks well for the staff and for the witnesses that have appeared before the subcommittee.

With the assistance of the ranking member, Mr. Conte, who is not only the ranking minority member on this subcommittee, but he is the ranking minority member on the full committee, and all of the other subcommittee members, we have been able to have our bill signed.

We hope this time to bring out a good bill, and one that the President will again sign.

We believe that this is the bill that really falls into the category, Mr. Komarek, of being the people's bill. I do not think when you have all of Health, all of Education, and Job Training and other matters in Labor that you could call it anything but the people's bill.

That is what we say to the House when we take the bill up and so far, we have been right successful.

One time, for instance, we passed this bill, Mr. Komarek, two years ago, in an hour and 35 minutes. I remember when I first was elected a member of this committee, it would take sometimes several days and sometimes even go over into the next week.

We have been successful with it, and I think, Mr. Komarek, we will bring out a bill that you will like, and maybe a bill that you can't tell anybody that you like too well, but we are going to bring out a good one.

Mr. Conte, I yield to you.

GRAMM-RUDMAN EFFECTS ON FTE

Mr. CONTE. Thank you, Mr. Chairman.

I was interested in your charts, they are very good, but I see nothing which gives us any feel for the effects of Gramm-Rudman. How many employees are going to be RIFed as a result of this?

How many job centers are going to be closed? You skirt around that. You mention that there are going to be some closed.

Give us a little more detail on this.

Mr. KOMAREK. First off, let me talk about the Department of Labor and the impact on our salaries and expense accounts, and our FTE.

As soon as the talk began about Gramm-Rudman this year, we in the Department began to behave very conservatively in terms of

our staffing decisions, and in December, Under Secretary Whitfield placed a hiring freeze throughout the Department.

We still have that hiring freeze in effect. We, in fact, will in a few cases make exceptions to the freeze, when there is a very, very urgent need to hire someone from outside for a very technical job, and we can't possibly do it within the Department.

But basically, Congressman Conte, we have had that hiring freeze in effect starting in December, and plan to have it in effect for the balance of the year.

The 4.3-percent across-the-board cut this year impacted on different parts of the Department of Labor differently, because different parts of the Department were either operating pretty close to their budget level or in some cases, were actually under the budget level, when the 4.3-percent news came.

The agencies which were operating at or slightly over their budget level are the ones who have the larger problems. Agencies who were under my own unit, for example, have less of a problem.

Department-wide impact on people, 490 FTE that we can't fund this year, because of the 4.3-percent reduction. If in fact—

Mr. CONTE. Those are not bodies, those are positions you were going to fill?

Mr. KOMAREK. It is FTE we were going to fill. Mr. Conte, the Secretary has announced a policy that there will be no RIFs this fiscal year associated with Gramm-Rudman.

In fact, it would be too costly for us to do RIFs, even if we wanted to, because of the large amounts of severance pay.

Mr. CONTE. Furloughs?

Mr. KOMAREK. There may be the need to do some amount of furloughs late in the fiscal year. What we have done Congressman, is to ask all managers during the months of February and early March to effect whatever economies they can in non-personal services, and then toward the end of March, we plan to revisit the issue after we have squeezed everything possible out of non-personal services, and determine which if any agencies need to have furloughs.

Our best estimate at this point in time is in a worst-case situation, one agency might need to have five or six days of furlough, and several agencies might need to have two, three or four days of furloughs. But we are hoping between now and March, by squeezing everything we can out of our other accounts, that we can avoid doing that.

Now, as far as fiscal year 1987 goes, if the President's budget is enacted as you see it before you in our request, then the Department of Labor will, in fact, have an increase over current operating levels.

For example, on the FTE chart, you see our enacted level for fiscal year 1986 is 18,548 FTE, and we can only finance 18,058 because of Gramm-Rudman, and our fiscal year 1987 request is 18,155, so we will actually be able in many accounts, Mr. Conte, to build back up the level of activity over our Gramm-Rudman levels, if, in fact, the President's budget is enacted in total.

If it is not, then, of course, Gramm-Rudman comes into play, and the Department of Labor would get its pro rata share, and we will have to deal with that when we get there.

PROGRAM EFFECTS OF GRAMM-RUDMAN

For the Job Corps and other program accounts, the impact of the Gramm-Rudman in fiscal year 1986, 4.3-percent reduction, is relatively minimal, because when you assign out that 4.3 percent of the program, it is a small part of the individual programs.

On the other hand, the reason the Department of Labor, and all other Departments, are putting forward proposals to cut back programs, is Gramm-Rudman-driven; that is, in the Job Corps area, again, the Department of Labor will say that this is a good program, but on the other hand, we are putting forward in our budget the proposal to reduce that program from 40,500 slots down to 22,000 slots, because we feel that this is an area where it is possible to effect some savings to—in total in fiscal year 1987 dollars, and beyond—allow us to live within the Gramm-Rudman levels.

So, with the 4.3 percent reduction, the Job Corps can operate this year without a major problem, or the Summer Youth Program could take that reduction without a major problem, the larger reduction proposed for both Summer Youth and the Job Corps are driven largely by the Gramm-Rudman mechanism.

Mr. CONTE. Can you, for the record, put in every category with the 4.3 percent cut?

Mr. KOMAREK. Yes, sir.

[The information follows:]

OFFICE OF BUDGET

U.S. DEPARTMENT OF LABOR
"PROGRAM, PROJECTS, AND ACTIVITIES"
GRAMM/RUDMAN/HOLLINGS

30-Jan-86
11:27 AM

	ENACTED APPROPRIATION	WITH-HOLDINGS	EXEMPT	SEQUESTER-ABLE BASE	4.3% REDUCTION
EMPLOYMENT AND TRAINING ADMINISTRATION					
PROGRAM ADMINISTRATION					
Job Training Programs	7,866,000			7,866,000	338,000
Employment Security	425,000	(14,000)		411,000	18,000
Trust Funds	15,498,000			15,498,000	666,000
Fin. Control and Mgmt. Sys.	16,512,000			16,512,000	710,000
Trust Funds	8,902,000			8,902,000	383,000
Exec. Dir. and Admin.	3,192,000	(10,000)		3,182,000	137,000
Trust Funds	2,465,000			2,465,000	106,000
Regional Operations	27,293,000			27,293,000	1,174,000
Trust Funds	15,801,000			15,801,000	679,000
Apprenticeship Services	12,867,000	(2,000)		12,865,000	553,000
Total, Program Administration	110,821,000	(26,000)	0	110,795,000	4,764,000
Federal Funds	68,155,000	(26,000)	0	68,129,000	2,930,000
Trust Funds	42,666,000	0	0	42,666,000	1,834,000
TRAINING AND EMPLOYMENT SERVICES					
Job Training Partnership Act					
Grants to States:					
Block Grant	1,863,151,000	(1,155,000)		1,861,996,000	80,066,000
SYETP	664,549,000	(50,000)		664,499,000	28,573,000
Dislocated Worker Assistance	100,000,000	(47,000)		99,953,000	4,298,000
Federally Admin Prgs					
Native Americans	62,243,000			62,243,000	2,676,000
Migrants and seasonal farmworkers	60,357,000			60,357,000	2,595,000
Job Corps	640,000,000			640,000,000	27,520,000
Veterans employment	9,667,000			9,667,000	416,000
National Activities	61,078,000	(829,000)	0	60,249,000	2,591,000
Pilots and Demos	20,698,000			20,698,000	890,000
TAT	5,900,000			5,900,000	254,000
RD&E	15,190,000	(829,000)		14,361,000	618,000
LMI	4,290,000			4,290,000	184,000
CEP's	10,000,000			10,000,000	430,000
NOICC	3,000,000			3,000,000	129,000
NCEP	2,000,000			2,000,000	86,000
Total, JTPA	3,461,045,000	(2,081,000)	0	3,458,964,000	148,735,000
Trade Adjustment, program	26,000,000			26,000,000	1,118,000
Total, TES	3,487,045,000	(2,081,000)	0	3,484,964,000	149,853,000
COMMUNITY SERVICE FOR OLDER AMERICANS	326,000,000	(471,000)	0	325,529,000	13,998,000
States	71,720,000	(471,000)		71,249,000	3,064,000
National Contracts	254,280,000			254,280,000	10,934,000

OFFICE OF BUDGET

U.S. DEPARTMENT OF LABOR
"PROGRAM, PROJECTS, AND ACTIVITIES"
GRAMM/RUDMAN/HOLLINGS

30-Jan-86
11:27 AM

	ENACTED APPROPRIATION	WITH-HOLDINGS	EXEMPT	SEQUESTER-ABLE BASE	4.3% REDUCTION
FEDERAL UNEMP. BENEFITS AND ALLOWANCES					
Trade adjustment assistance	5,000,000		(5,000,000)	0	0
Unemp assist and payments under other fed unemp prgs	5,000,000		(5,000,000)	0	0
Total, FUBA	10,000,000	0	(10,000,000)	0	0
STATE UNEMPLOYMENT INSURANCE & EMPLOYMENT SERVICE OPERATIONS					
Unemployment Compensation (Trust Funds)					
State Operations	927,468,000			927,468,000	39,881,000
UI Automation	20,000,000			20,000,000	860,000
State Integrity Activities	185,792,000			185,792,000	7,989,000
Non Personal Services	239,200,000			239,200,000	10,286,000
National Activities	2,908,000			2,908,000	125,000
Contingency	278,732,000			278,732,000	11,985,000
ES Amortization	4,800,000			4,800,000	206,000
Total, Unemployment Compensation (UTF)	1,658,900,000	0	0	1,658,900,000	71,332,000
Employment Service:					
Allotments to States:					
Federal Funds	22,700,000			22,700,000	976,000
Trust Funds	769,500,000			769,500,000	33,089,000
National Activities					
Federal Funds	900,000			900,000	39,000
Trust Funds	27,590,000			27,590,000	1,186,000
ES Automation Study (TF)	250,000			250,000	11,000
Total, Employment Service	820,940,000	0	0	820,940,000	35,301,000
Federal Funds	23,600,000	0	0	23,600,000	1,015,000
Trust Funds	797,340,000	0	0	797,340,000	34,286,000
Total, SUIESO	2,479,840,000	0	0	2,479,840,000	106,633,000
Federal Funds	23,600,000	0	0	23,600,000	1,015,000
Trust Funds	2,456,240,000	0	0	2,456,240,000	105,618,000
ADVANCES TO UNEMPLOYMENT TRUST FUND AND OTHER FUNDS	465,000,000		(460,000,000)	5,000,000	215,000
UNEMPLOYMENT TRUST FUND - BENEFITS/ADMIN	220,761,000	0	0	220,761,000	9,493,000
Extended Benefits	23,850,000	0	0	23,850,000	1,026,000
Railroad Retirement	180,424,000	0	0	180,424,000	7,758,000
R.R. Administration	16,487,000	0	0	16,487,000	709,000
TOTAL, EMP. & TRAINING ADMINISTRATION	7,099,467,000	(2,578,000)	(470,000,000)	6,626,889,000	284,956,000
Federal Funds	4,379,800,000	(2,578,000)	(470,000,000)	3,907,222,000	168,011,000
Trust Funds	2,719,667,000	0	0	2,719,667,000	116,945,000

OFFICE OF BUDGET

U.S. DEPARTMENT OF LABOR
"PROGRAM, PROJECTS, AND ACTIVITIES"
GRAMM/RUDMAN/HOLLINGS

30-Jan-86
11:27 AM

	ENACTED APPROPRIATION	WITH-HOLDINGS	EXEMPT	SEQUESTER-ABLE BASE	4.3% REDUCTION
LABOR-MANAGEMENT SERVICES					
Salaries and Expenses					
Labor-management co-op programs	4,797,000	(47,000)		4,750,000	204,000
Labor-management standards	23,662,000			23,662,000	1,018,000
Pension and Welfare Benefit Programs	29,046,000	(184,000)		28,862,000	1,241,000
Total, LMS	57,505,000	(231,000)	0	57,274,000	2,463,000
PENSION BENEFIT GUARANTY CORPORATION					
Program Administration (Trust Fund)	33,040,000	(287,000)		32,753,000	1,408,000
EMPLOYMENT STANDARDS ADMINISTRATION					
Salaries and Expenses					
Enforcement of wage/hour standards	73,565,000	(54,000)		73,511,000	3,161,000
Fed contractor EEO standards enforce.	45,639,000			45,639,000	1,962,000
Fed prgms for workers compensation	58,921,000	(52,000)		58,869,000	2,531,000
Trust Funds	406,000			406,000	17,000
Exec. dir. and support services	12,193,000	(25,000)		12,168,000	524,000
Total, Salaries and Expenses	190,724,000	(131,000)	0	190,593,000	8,195,000
Federal Funds	190,318,000	(131,000)	0	190,187,000	8,178,000
Trust Funds	406,000	0	0	406,000	17,000
Special Benefits					
FECA Benefits	254,900,000		(57,516,000)	197,384,000	22,843,000
LSHW Benefits	4,600,000		(4,600,000)	0	0
Total, Special Benefits	259,500,000	0	(62,116,000)	197,384,000	22,843,000
Black Lung Disability Trust Fund					
Benefit payments and int. on adv.	942,868,000		(834,518,000)	108,350,000	4,659,000
ESA, S&E	25,481,000			25,481,000	1,096,000
DM, S&E	19,697,000			19,697,000	847,000
DM, OIG	376,000			376,000	16,000
Subtotal, BLDTF	988,422,000	0	(834,518,000)	153,904,000	6,618,000
Drawdown in prior year	0	0	0	0	0
Adjusted total	988,422,000	0	(834,518,000)	153,904,000	6,618,000
Treasury Admin. costs (indefinite)	756,000		(756,000)	0	0
Special Workers' Comp.					
Compensation Expenses	77,594,000		(75,377,000)	2,217,000	96,000
Total, ESA	1,516,996,000	(131,000)	(972,767,000)	544,098,000	37,752,000
Federal Funds	1,438,996,000	(131,000)	(897,390,000)	541,475,000	37,639,000
Trust Funds	78,000,000	0	(75,377,000)	2,623,000	113,000

OFFICE OF BUDGET

U.S. DEPARTMENT OF LABOR
"PROGRAM, PROJECTS, AND ACTIVITIES"
GRAMM/RUDMAN/HOLLINGS

30-Jan-86
11:27 AM

	ENACTED APPROPRIATION	WITH-HOLDINGS	EXEMPT	SEQUESTER-ABLE BASE	4.3% REDUCTION
OCCUPATIONAL SAFETY & HEALTH ADMINISTRATION					
Salaries and Expenses					
Safety and health standards	6,161,000	(53,000)		6,108,000	263,000
Federal Enforcement	87,043,000			87,043,000	3,743,000
State Program Enforcement	53,021,000			53,021,000	2,280,000
Technical Support	14,029,000	(400,000)		13,629,000	586,000
Compliance Assistance	34,968,000	(30,000)	0	34,938,000	1,501,000
Consultation program	23,350,000			23,350,000	1,003,000
Other	11,618,000	(30,000)		11,588,000	498,000
Safety and health statistics	18,013,000	0	0	18,013,000	775,000
Statistical Grants	3,978,000			3,978,000	171,000
Other	14,035,000			14,035,000	604,000
Exec. dir. and administration	4,810,000	(50,000)		4,760,000	205,000
Total, OSHA	218,046,000	(533,000)	0	217,512,000	9,353,000
MINE SAFETY AND HEALTH ADMINISTRATION					
Salaries and Expenses					
Coal Enforcement	76,424,000	(2,000)		76,422,000	3,286,000
Metal/nonmetal Enforcement	30,582,000			30,582,000	1,316,000
Standards development-enforcement	897,000			897,000	39,000
Assessments	1,755,000			1,755,000	75,000
Educational policy & development	11,629,000			11,629,000	500,000
Technical support	18,402,000			18,402,000	791,000
Program administration	11,990,000			11,990,000	515,000
Total, MSHA	151,679,000	(2,000)	0	151,677,000	6,522,000
BUREAU OF LABOR STATISTICS					
Salaries and Expenses					
Employment and Unemployment Statistics	55,428,000	0	0	55,428,000	2,383,000
PMLPC	5,000,000			5,000,000	215,000
Other	50,428,000			50,428,000	2,168,000
Labor Market Information (Trust Funds)	36,309,000			36,309,000	1,561,000
Prices and cost of living	49,745,000	(2,000)		49,743,000	2,139,000
Wages and industrial relations	16,959,000			16,959,000	729,000
Productivity and technology	4,699,000			4,699,000	203,000
Economic growth and emp. projections	3,080,000			3,080,000	132,000
Exec. dir. and staff services	13,171,000			13,171,000	566,000
Consumer Price Index Revision	13,258,000			13,258,000	570,000
Service Sector	2,300,000			2,300,000	99,000
Total, BLS	194,949,000	(2,000)	0	194,947,000	8,382,000
Federal Funds	158,640,000	(2,000)	0	158,638,000	6,821,000
Trust Funds	36,309,000	0	0	36,309,000	1,561,000

OFFICE OF BUDGET

U.S. DEPARTMENT OF LABOR
"PROGRAM, PROJECTS, AND ACTIVITIES"
GRAMM/RUDMAN/HOLLINGS

30-Jan-86
11:27 AM

	ENACTED APPROPRIATION	WITH-HOLDINGS	EXEMPT	SEQUESTER-ABLE BASE	4.3% REDUCTION
DEPARTMENTAL MANAGEMENT					
Salaries and Expenses					
Executive direction	11,280,000			11,280,000	485,000
Legal services	39,878,000			39,878,000	1,715,000
Trust Funds	252,000			252,000	11,000
International labor affairs	4,220,000			4,220,000	181,000
Administration and management	21,841,000	(25,000)		21,816,000	938,000
Adjudication	11,124,000			11,124,000	478,000
Promoting emp. of the handicapped	2,136,000			2,136,000	92,000
Womens Bureau	5,441,000	0	0	5,441,000	234,000
Model Demonstration Projects	1,000,000			1,000,000	43,000
Other	4,441,000			4,441,000	191,000
Civil Rights activities	3,383,000			3,383,000	146,000
Total, Salaries and Expenses	99,555,000	(25,000)	0	99,530,000	4,280,000
Federal Funds	99,303,000	(25,000)	0	99,278,000	4,269,000
Trust Funds	252,000	0	0	252,000	11,000
Black Lung Disability	*				
Veterans Employment and Training					
State administration	119,976,000	0	0	119,976,000	5,159,000
Disabled veterans outreach prog.	64,903,000			64,903,000	2,791,000
Local veterans employment prog.	55,073,000			55,073,000	2,368,000
Federal Administration	12,999,000			12,999,000	559,000
Total, VET	132,975,000	0	0	132,975,000	5,718,000
Office of the Inspector General					
Office of Audit	21,699,000	(265,000)		21,434,000	922,000
Trust Funds	2,648,000			2,648,000	114,000
Office of Investigations	5,790,000			5,790,000	249,000
Trust Funds	583,000			583,000	25,000
Office of Labor Racketeering	6,323,000			6,323,000	272,000
Executive Direction and Administration	4,918,000	(1,000)		4,917,000	211,000
Black Lung Disability	*	*	*	*	*
Total, OIG	41,961,000	(266,000)	0	41,695,000	1,793,000
Federal Funds	38,730,000	(266,000)	0	38,464,000	1,654,000
Trust Funds	3,231,000	0	0	3,231,000	139,000
Black Lung Disability					

* Dollars included in ESA in Black Lung Disability Trust Fund.

OFFICE OF BUDGET

U.S. DEPARTMENT OF LABOR
"PROGRAM, PROJECTS, AND ACTIVITIES"
GRAMM/RUDMAN/HOLLINGS

30-Jan 86
11:27 AM

	ENACTED APPROPRIATION	WITH-HOLDINGS	EXEMPT	SEQUESTER-ABLE BASE	4.3% REDUCTION
Special Foreign Currency Programs	47,000			47,000	2,000
Total, BH	274,538,000	(291,000)	0	274,247,000	11,793,000
Federal Funds	138,080,000	(291,000)	0	137,789,000	5,925,000
Trust Funds	136,458,000	0	0	136,458,000	5,868,000
TOTAL, DEPARTMENT OF LABOR	9,546,219,000	(4,055,000)	(1,442,767,000)	8,099,397,000	362,629,000
FEDERAL FUNDS	6,542,745,000	(3,768,000)	(1,367,390,000)	5,171,587,000	236,734,000
TRUST FUNDS	3,003,474,000	(287,000)	(75,377,000)	2,927,810,000	125,895,000

Mr. CONTE. HHS and Education are both doing justifications detailing how the Gramm-Rudman cuts are being taken, and any information you provide for the record would be very helpful.

Mr. KOMAREK. We certainly can. The 4.3 applies to virtually everything in the Department, except the Unemployment Insurance Trust Fund accounts, to pay unemployment insurance benefits, and the Black Lung and Longshore Trust Fund accounts.

Mr. CONTE. In the justifications, you show a line from fiscal year 1986 to fiscal year 1987 called "FTE lapsing." What does that mean?

Ms. WYRSCH. That is FTE that we will not be using.

Mr. CONTE. I see.

Are there any unauthorized programs for which you have requested funds in the fiscal year 1987 budget?

Mr. KOMAREK. No, sir.

TERMINATED PROGRAMS

Mr. CONTE. What programs have you proposed for termination either through rescission in fiscal year 1986 or through elimination of funding in fiscal year 1987?

Mr. KOMAREK. We are not proposing any additional funding for the Trade Act Program, although we are proposing the $74 million supplemental for the Displaced Worker Program.

Mr. CONTE. How much?

Mr. KOMAREK. $74 million for the Displaced Worker Program. The training provided by the Displaced Worker Program, in combination with regular unemployment insurance benefits, can be a very good substitute for the Trade Act Program.

Another program which I should mention, Congressman Conte, although it is not in our budget, we are not proposing additional funding for the Work Incentive program.

You recall the other evening that the President got a question on that particular program. There are no funds in our budget for that program. Also, Congressman Conte, I know you will be interested, although it is a small amount, the Mass Layoff program is proposed for elimination.

Mr. CONTE. Are you carrying any money over in that program?

Mr. KOMAREK. We are going to continue activity in that program. What we did with the money appropriated in the last few years was to develop a pilot effort in several States around the country, and we think those pilot efforts are starting to be completed, and we are going to be able to evaluate those programs in the next year.

And if we see that there is a great benefit, then we would need to reevaluate our position.

Mr. CONTE. All right, we will have some other questions on that when the Secretary of Labor comes up.

We almost got a bill through the House on plant closings, and it lost by a couple of votes. Thank you.

Mr. NATCHER. Mr. Stokes.

SUMMER YOUTH AND JOB CORPS

Mr. STOKES. Mr. Komarek, the bulk of the proposed rescissions are in the areas of the Summer Youth Employment Program and the Job Corps Program.

In light of the fact that those two programs, of all of your programs, impact most heavily upon youth who are either socially or economically disadvantaged, and also minorities, can you tell me why those particular programs were selected for these heavy cuts?

Second, how did you arrive at the amounts to be rescinded?

Mr. KOMAREK. The reason those two particular programs were chosen for reduction was that when we looked at the array of our programs with the Gramm-Rudman pressure, defined areas to reduce, we saw in both of those programs some significant inefficiencies.

In the Summer Youth Program, the inefficiency that we saw was there were many areas of the country which did not seem to need the program, while there were other parts of the country which needed it very much. So in the Summer Youth Program, the decision to reduce that program was because of a perception that we could remove funds from the program in those parts of the country where it was not needed, and retain the funds in the parts of the country, in the areas where it was needed without seriously damaging the overall impact of the program.

The Job Corps Program situation was a similar kind of decision. Again, we looked at our programs. We saw in the Job Corps Program a program which, on the one hand, has some centers where the cost per enrollee is almost twice what it is in other centers, and we found that some of those less expensive centers tend sometimes to produce better results.

In effect, what we saw was that we had some centers which everyone, if they looked at them, would agree were inefficient, and we should do something about. Given again, the pressure on the overall budget, and given the fact that we did see some centers were inefficient, we felt we could make some reductions in that area to eliminate some of the inefficient centers.

The amount of the reduction, Congressman, I think the amount can be debated. A person, after they have acknowledged that there are some centers that are inefficient and some that are very efficient, and you decide at what point to draw a line. That is a subject that people consider, debate over and probably will be and should be debated over.

I would note, Mr. Congressman, that the 22,000 level that ultimately we are choosing to fund in the Job Corps was the level that was in place before the buildup that occurred during President Carter's Administration.

Up until 1977, 1978, the Job Corps operated at a 22,000-slot level. During the recession in the late seventies, it was built up to 44,000, and basically, the supportable slots that we are proposing is the level that we had before that particular buildup.

NEW SUMMER ALLOCATION FORMULA

Mr. STOKES. In terms of the new formula that you have discussed, you stated that you have not yet arrived at any precise for-

mula for allocation. You will be discussing that with the committee, is that correct?

Mr. KOMAREK. That is right.

Mr. STOKES. You mentioned 467,000 jobs to be targeted to the most needed areas. I think that was your figure, right?

Mr. KOMAREK. Yes, sir.

Mr. STOKES. How will that number compare then with the jobs financed in the summer of 1985 and summer of 1986?

Mr. KOMAREK. For 1986, I believe the number is 785,000 jobs, and I think for the previous year, it was 803,000, but we are moving from somewhere in the 800,000 range down to 467,000 for the summer of 1987, as funded from 1986 appropriated funds.

Mr. STOKES. OK. That figure declined to 467,000?

Mr. KOMAREK. In a little more detail, Congressman, the 1986 appropriation would theoretically support, we think 673,000 jobs which will actually be filled.

Gramm-Rudman knocks 25,000 of those jobs out, and takes it down to 649,000 and the rescission itself takes it down to 467,300.

Mr. NATCHER. Mr. Pursell.

JTPA COMPARED TO CETA

Mr. PURSELL. Thank you, Mr. Chairman.

I'd like to discuss the Job Training Partnership Act. I can recall when we had that on the Floor a few years ago. We moved a lot away from CETA, and the new program went into gear. Since then, some of us have had some field experience with JTPA, monitoring it in our own Congressional district, and I wonder if the Department has had any oversight hearings since then, or any internal analysis of issues such as grants. I recall that some of your people have indicated in the past that a lot of the grant applications were poorly drafted, and that in the transition from CETA to JTPA some political problems developed within the counties after the old CETA Act, such as—who was going to run the program, the PICs, or country officials.

I wonder if you could comment, whether you feel the Job Training Program now is more effective, getting better use of the tax dollar, and more appropriate then the old Act?

Mr. KOMAREK. Congressman Pursell, when Assistant Secretary Semerad of ETA comes up, he can give you a lot more detail than I can. My background is financial and budgetary.

I have a few comments from that particular perspective. In looking at the Job Training Partnership Act, compared to CETA Titles II and VI, we are very, very pleased with the way, and if you will, the improved way that the States and jurisdictions are spending and accounting for the government's money.

CETA, because of a lot of allegations of fraud and abuse in the public service jobs part of the program, came into disrepute, and all the good in that program got lost, and in the Job Training Partnership Act, we have had very little of that, and as a financial manager, I am very, very pleased to see that occurrence.

I would also note—and again, Assistant Secretary Semerad is a much better person to give you the details—we have been much more effective in terms of the Job Training Partnership Act in

terms of getting people jobs per dollar of the government's money spent.

All in all, I think the change has been positive.

TARGETING

Mr. PURSELL. Targeting: is this a new policy of the Secretary? Is this a financial management tool to put the dollars in the targeted areas, given less dollars, to make the program more effective?

Mr. KOMAREK. Could I say yes to both?

Mr. PURSELL. Are there criteria being developed that provide a good rationale for targeting, and is that done by rules and regs, or is it just a policy that doesn't have any written directives and criteria to back it up?

Mr. KOMAREK. You began the question by saying, is it a Secretarial policy, a response to budget reductions, and I would say yes to both of those.

Clearly, if you have fewer dollars, you want to be sure that those remaining dollars go to only those folks who need them the most, and we have attempted to do that, and will be attempting to do that in the area of Job Corps and Summer Youth, and I think that we will be more than willing and interested in advice from the committee and from others, in terms of how we should target those more limited dollars that we have these days to those most in need.

I would also note that Secretary Brock established, when he got to the Department, three Secretarial goals, and among those goals were those which led us to the idea of targeting our dollars to those most in need, so that, in fact, his overall policy is consistent with what it is we need to do, and the driving force these days——

Mr. PURSELL. It is a high priority with him personally?

Mr. KOMAREK. I think so, particularly given that we have fewer dollars, and we need to be sure that they are used most appropriately.

Mr. NATCHER. Any additional questions?

I want to thank you, Mr. Komarek. As we go along with the hearings, we will be talking with you from time to time about the overall appropriations for the Department of Labor.

Mr. Komarek, we are right proud of the bill we bring out each year, and one indication of the right that we have to be proud, it was only one of six bills that was signed last year. Out of 13, seven of them are in the continuing resolution.

Thank you very much.

THURSDAY, FEBRUARY 20, 1986.

SECRETARY OF LABOR

WITNESSES

HONORABLE WILLIAM E. BROCK, SECRETARY OF LABOR

THOMAS C. KOMAREK, ASSISTANT SECRETARY FOR ADMINISTRATION AND MANAGEMENT

ROGER D. SEMERAD, ASSISTANT SECRETARY FOR EMPLOYMENT AND TRAINING

MARY ANN WYRSCH, DIRECTOR, OFFICE OF BUDGET

INTRODUCTION OF WITNESS

Mr. NATCHER. We have before the Committee this morning the Secretary of Labor, William E. Brock.

Mr. Secretary, it is a pleasure to have you before our Committee. We had the honor of serving with you in the House for a period of eight years. We were glad to serve with you and we are glad to have you before our Committee this morning.

This will be an unusual year, as you know, from the standpoint of our appropriations process. This bill contains the appropriations for the Department of Labor, Department of Health and Human Services and Department of Education.

We will hold hearings that will probably consume 10 or 12 weeks and we will try to mark up a good bill and send to the House a bill that I believe we can pass. We have been fortunate, Mr. Secretary, on our Subcommittee. The President signed our bill last year and he has signed it for the last three consecutive years as you know. We have seven of the appropriations bills which have not been signed into law that are in the continuing resolution. Six were signed, including ours. We appreciate it. We thought it was a good bill and should have been signed, and the President signed it.

Mr. Secretary, as I have said to you, we are glad to have you before us. We will be pleased to hear from you.

FISCAL CONSTRAINTS

Mr. BROCK. Thank you, Mr. Chairman.

It is nice to be back and I appreciate the privilege of sharing some time with you. I have been before your colleague Neal Smith for the last four years with a slightly different problem. My budget for USTR was around $10 million a year and there is a slight magnitude of change in this proposal we have for you today. I am about to add three zeroes to it. The problems seem to be similar. It really does not matter what the size is. We have all got to live with a very difficult situation. And I guess I should begin by repaying the

compliment and maybe sharing a little bit of the misery. I think this Committee has done some superb work, and I know how tough it is with the problems we have got with our budget. I commend you for being able to come up with a plan that the President can sign. I think that is important. And I appreciate the fact you have made that effort and made the contribution.

What I would like to do today is submit the statement for the record. I have some people with me. Roger Semerad, the Assistant Secretary for Employment and Training Administration, and Tom Komarek who is the Assistant Secretary for Administration and Management and Mary Ann Wyrsch, the Budget Officer for the Department can help me answer some questions.

But maybe I can begin by just making a little bit of a statement of overview on how we approached this thing and where we hope to go.

We have been looking at this budget for not only '86 but for '87 now for I guess about seven or eight months. And we have been looking at it knowing the constraints that are going to be imposed on all of us.

It is, I think, patently obvious in a time of constraints we simply have to find ways to work with other agencies of government more effectively, and with the State and local communities and with the private sector in order to add to the value of our product. It just will not work with a straight mathematical formula.

We have put a lot of effort into trying to understand what other departments affect the programs that we have to work on, such as Health and Human Services, Education, Defense, Transportation and others, to see if we could fold our programs together in a complementary fashion with similar programs in order to maximize the effectiveness of the dollars that we have. What we do makes a difference in the lives of human beings, men and women.

And I hope what we do will complement the work of others within the Federal Government and those outside of it, so that we can extend the beneficial effect of what we are trying to achieve.

We have had that mandate for the 200-year history of the country, but now the budget constraints make it a necessity. We have got many goals, some set by you, some by the President. In addition, in the last few months, we have tried—I have tried to set some priorities for the Department, in consonance with the people that have come to conduct the responsibilities of the various agencies, such as Mr. Semerad.

In all honesty, I think it is fair to admit that this budget is not all that any of us would want in a perfect world. But, even in the best of fiscal times, we cannot be all things to all people. We have got to decide with your guidance, what kinds of things we can do that will make the most difference for the most people that need the most help. And what we have done is set up a management system that will provide us with a tool to try to achieve that measure of success. But, in all honesty, we need your help in looking at this budget from your perspective, your constituency, to help us evaluate how best to maximize the effect of limited resources. We know we are not going to have as much as we would like. There is no possibility of changing that fact. So what we have to do is take

the resources that we have within those constraints and achieve as much as we can achieve for those people that need it the most.

I think one other point is important. We frankly have not found the first effect of Gramm-Rudman Hollings to be intolerable. We effectively jumped the gun a little bit. We saw that you all were going to act and we pretty much put a freeze on a few months ago in the Department. And we are going to be able to accommodate this first 4.3 percent reduction without any significant amount of human misery in the Department and, without any personnel loss other than the normal attrition. It is possible we could have very limited furloughs in one or two shops of the Department, but we may even be able to manage without that.

I think what it has done is to focus our minds on what could happen if we do not get a budget by the first of October for this coming year. That action would be devastating. There just is no simple way to get around it and what I would like to draw from that point is the urgency of the need for us to work together to do what you have been able to do in the last three years, Mr. Chairman; and that is to achieve a budget that we mutually can agree upon and that can pass the House and Senate and be signed by the President.

SPECIFICS OF BUDGET REQUEST

I think just a couple points on specifics. Our Fiscal 1986 total is $8.553 billion, and this includes a reduction of $698.9 million from the originally enacted base.

That includes the Gramm-Rudman-Hollings reduction of $353 million and a further rescission reduction of $419.9 million, offset in a limited degree by a $74 million supplemental.

The budget request for our Department in 1987 is $8.64 billion.

And just a couple of points to mention specifically: we have requested in 1987 on the additional side $20 million in new funding for JTPA pilots and demonstrations; $10 million in new funding for R and D, and we have also added $10 million in unemployment insurance research and demonstration.

The reason, Mr. Chairman, is that we really do not have the capacity at the moment to do very much research and innovation. There is a great abundance of creativity at the State and local level, but no focused resource base which allows us to test new and different ideas.

It seems to us that if we are going to live within these financial constraints for some time to come, and we obviously are, one of the imperatives of government is to see what we can do to maximize the yield of those resources we have to test some new ideas and new concepts. And we do ask for your support in that regard.

Again, looking at the total effect of Gramm-Rudman-Hollings on the Department, I think it is pretty obvious that we are having to take a severe look in a couple of very important areas, Job Corps and summer youth. There are other areas where I felt, and I would appreciate your own judgment, that we could not reduce. Safety and health is a classic example; mine safety as well. So our proposal is that in those two areas the funding level remain essentially untouched. And, as a matter of fact, we asked for a very small in-

crease of $1.6 million for some new and more advanced equipment for enforcement activities for OSHA.

In Title II we have asked for a very slight increase on the block grant for training; however, that will be offset by inflation, so the net effect will be an extremely small decrease I think.

We have asked for $4.2 million for the Pension Benefit Guaranty Corporation to help eliminate our backlog in benefits administration premium collection. We have asked for some new funding to further reduce the black lung backlog with which you are very familiar.

We have asked for $1 million for the development of a new ERISA data base. And we have asked for $3.4 million for BLS to develop a longitudinal file of businesses and to expand the pay survey.

We have tried as best we could with my nine months of limited experience in this office to submit to you, Mr. Chairman, a budget that lives within the constraints of the present time but does it as rationally as we could find.

Let me admit that my experience is limited, and your own is considerably more extensive, and I would welcome your own expression of interests, concerns or suggestions on how we can do better and what we can do perhaps differently that would achieve what we mutually seek in supporting the needs of more people in this country.

Maybe that is enough of a very broadly stated overview, and we could go to whatever questions you have.

[The prepared statement and biography of the Secretary of Labor follows:]

STATEMENT OF WILLIAM E. BROCK
SECRETARY OF LABOR
BEFORE THE
COMMITTEE ON APPROPRIATIONS
UNITED STATES HOUSE OF REPRESENTATIVES

February 20, 1986

Mr. Chairman and Members of the Committee:

I am today making my first appearance before you as Secretary of Labor, to discuss resource requests for the Department's programs for Fiscal Year 1987. I will also be discussing changes to 1986 levels via sequestrations, rescissions and supplementals. I welcome this opportunity to outline for you the important aspects of our proposals for both Fiscal Years 1986 and 1987. Over the next several days, members of the management team that I have assembled at the Department will be appearing before you to discuss the details of the individual agency requests. In this session I would like to present my overall approach to this budget, and the rationale that governed decisions on the proposals that you have before you.

With regard to Fiscal Year 1986, as a result of the Balanced Budget and Emergency Deficit Control Act of 1985, the Gramm-Rudman-Hollings (GRH) Bill, we anticipate that a total of $362.6 million in spending authority will be cancelled on the effective date of the President's sequestration order, March 1, 1986.

Of this amount, $236.7 million is reduced from enacted budget authority, and $116.3 million is reduced from amounts available through trust fund transfer. The remaining $9.6 million comes from reduced spending authority in the Unemployment Trust Fund and the Special Workers Compensation accounts.

In addition to these reductions, we are proposing a budget authority rescission totalling $416 million, a downward adjustment in limitations on nonappropriated funds of $3.9 million, and a supplemental request of $74 million. Major portions of our rescission request relate to plans for streamlining and targeting two important programs aimed at serving young persons funded through the Training and Employment Services (TES) appropriation. These are the Job Corps, for which I am proposing a 1986 rescission of $196.5 million, which when coupled with the GRH reduction, will reduce resources by 35% in 1986. As you know, this program has accomplished a great deal in assisting disadvantaged youth. It is, however, a very costly program, and our proposals for it involve identifying the best centers and concentrating our resources on running an optimum program at reduced levels.

For the Summer Youth Employment Program, we are proposing a rescission of $208 million, which, in conjunction with the GRH reductions, will bring our revised program level to $428

million for 1986, which supports the calendar 1987 program. With the rescission request we are seeking appropriations language to allow us to target available resources to those most in need. We are also seeking a rescission of $9.6 million in funds related to the Concentrated Employment Program. The remaining rescission amount represents technical adjustments to bring spending authority into line with authorized levels.

I am seeking $74 million in supplemental budget authority to provide additional resources for the Dislocated Workers Assistance program authorized under Title III of JTPA. As you know, the Administration made a commitment to provide additional adjustment funding for trade impacted workers as an alternative to continuation of the Trade Adjustment Assistance legislation. This supplemental represents that commitment. We are asking that these supplemental funds be provided under the discretionary portion of the Title III program to allow us flexibility in responding to areas with the most severe needs.

Finally, you have a supplemental request before you which in effect makes a downward adjustment in appropriations limitations in the Employment Service portion of the UI/ES, State Operations Appropriation. When coupled with the GRH reductions in the Employment Service portion of this account, these adjustments will reduce allotments to states by about 3% below Program Year 1985 levels.

The Department's 1987 request in total funding authority through this Committee excluding proposals for later transmittal is $8.64 billion, of which $2.75 billion is derived by transfer from trust funds. Discretionary program funding requested totals $5.33 billion, including $1.02 billion in trust fund transfers.

The remaining $3.32 billion of the total request is needed to meet entitlement program requirements, including Black Lung Disability Trust Fund benefits and Federal Employee Compensation Act benefits payments.

Our 1987 request for the TES appropriation, for Job Training Partnership Act (JTPA) programs, totals $2.91 billion. Of this amount about 80 percent is for grants to states. This includes $1.82 billion for the Block Grant program. $428 million of this amount continues the Summer Youth Employment and Training Program at the streamlined level proposed for Fiscal 1986 (Summer 1987), including a request for appropriations language that would allow for improved targetting of these resources. For the Dislocated Workers program, we are requesting $100 million and are again requesting appropriations language that would allow these funds to be provided under the discretionary portion of the authorized legislation.

For the federally-administered portion of the TES appropriation, we are requesting $128.8 million for national level

programs for native Americans, migrants and veterans, and $81.1 million for Pilots and Demonstrations, program support, and the national commissions authorized by the JTPA. We are seeking increases of $20 million and $10 million respectively for the Pilots and Demonstration programs and the research portions of the program support function in order to provide additional resources to test and to research alternative strategies for dealing with certain labor market problems. For the Job Corps, we are seeking $351.7 million in 1987 resources, which will continue the 22,000 slot level achieved at the end of 1986.

For the Older Americans program we are requesting $326 million to fund approximately 63,800 average enrollments, the same level as in 1985, and slightly higher than in 1986 due to the GRH reductions.

Our request of State Employment Service grants is $782.5 million, while $1.73 billion is requested to fund 43,700 staff years to operate the Unemployment Insurance program.

In the area of entitlement program, we are requesting $413 million in new funding for the Advances to the Unemployment Trust Fund and Other Funds accounts. The total requested for advances is expected to be used for the Black Lung Disability Trust Fund. The budget contains an amount related to proposals for later transmittal that would reduce the need for Advances by $221 million. This is the anticipated effect of a requested increase in the fees mine operators must pay into the Black Lung Trust Fund. In the Federal Unemployment Benefits and Allowances account, we are requesting $4 million to be utilized for payments to Redwood program beneficiaries.

In our funding requests for the salaries and expenses accounts, we have a combination of increases in key areas, and some staffing reductions, related to increased productivity, or to programmatic reductions.

An overriding principle of the worker protection and labor standards programs is that we will maintain our basic workload at or above 1985 levels. Our total request for staffing and related costs for carrying out the Department's various responsibilities in these areas is $1.27 billion. Details of these requests are found in other justification materials. I believe that this budget request is a balanced proposal that protects the interests of American workers. I would be happy to answer you questions.

Biographical Sketch

WILLIAM EMERSON BROCK

Secretary of Labor

William E. Brock was nominated by President Ronald Reagan to be the nation's 18th Secretary of Labor on March 20, 1985. His nomination was confirmed by the Senate on April 26, 1985. He was sworn into office on April 29, 1985.

In addition to being a member of the President's Cabinet, he serves on the Economic Policy Council. The Secretary also is a member of the President's Task Force on Regulatory Relief, the President's Advisory Council on Private Sector Initiatives, and many other senior governmental councils and committees.

Brock previously served as United States Trade Representative. He was nominated to this Cabinet-level post by President Reagan on January 15, 1981, and was sworn in on January 31, 1981. his duties included serving as the President's chief trade adviser and international trade negotiator. He also chaired the Cabinet-level Trade Policy Committee.

Brock was born in Chattanooga, Tennessee, on November 23, 1930. He received a Bachelor of Science degree in 1953 from Washington and Lee University, Lexington, Virginia. After serving as an officer in the U.S. Navy, he became associated with the Brock Candy Company.

In 1962, Brock became the first Republican to be elected to Congress in more than 40 years from Tennessee's Third District.

As a congressman from 1963 to 1970, he served on the committee on Banking and Currency and became a member of the Joint Economic Committee in 1967.

After four terms in the House of Representatives, Brock was elected to the U.S. Senate in 1970. Senator Brock served on the Finance Committee, the Banking Committee and the Government Operations Committee.

In 1977, the Republican party elected Brock as its National Chairman, a position he held until being named U.S. Trade Representative.

Brock was married to the former Laura Handly (deceased). He has three sons, William, Oscar and John, and a daughter, Laura.

CURRENT CONDITION OF THE DEPARTMENT

Mr. NATCHER. Thank you, Mr. Secretary.

As you have stated to the Committee, you have been in office nearly 10 months. Tell us, if you will, what condition the Department is in from the standpoint of being operational and, if you will, at the same time give us any improvements or changes that you intend to make in the Department. What is the situation generally, Mr. Secretary?

Mr. BROCK. Well, I think it is pretty good. We have got good people in the Department. They are talented; they are committed; they care; they believe in what they are doing. They were pretty abused for awhile because they went for a year without anybody in the Secretary's office, and that is tough for people, because they get a sense of not quite being sure where the collective organization is going. I think that has changed. I am told that it has. I am told that there is a substantial improvement in morale, spirit. I have sensed it. I hope that my sense is correct, but I am told by Labor people and others that there is a good feeling in the Department in the sense that we know where we are trying to go and how we are going to try to do it together.

We have got almost all of our top people in place now. I still have four major appointees that require Senate confirmation pending. One of them has already been submitted to the Senate for our Wage and Hour Administrator. The other three for the Solicitor, the Assistant Secretary of the Occupational Safety and Health Administration, and the Assistant Secretary for Labor-Management Standards—are pending in the White House. I would, frankly, imagine that it is a matter of a very few days before they are also submitted to the Senate for confirmation. But the others we have asked for submission to the Senate have been approved. They are on line and performing well.

MANAGEMENT REFORMS

We started last August discussing a new system of management. When I came in, we got what we would have called an UNSAT fitness report from the GAO, at least, that is what I would have called it in my Navy days, that they felt there were substantial management deficiencies in the Department. I think that is understandable because of the absence of the top official. But we took those suggestions of GAO very seriously. I met with the head of GAO and his team, and I not only expressed my gratitude for the study that they had done, but I asked them to continue that study and to give me an update, at least annually while I am there to tell me how I am performing, because I need somebody from outside to look over my shoulder and tell me, from an outside perspective, how we are doing. Sometimes you get so close to the trees you cannot see the forest, and I do not want to get into that situation. I need the advice of people like yourself and others, constantly evaluating our progress in management terms.

Subsequent to that conversation, we did institute a number of management changes to conform to some of the suggestions GAO made. In addition, we began our own appraisal of the management requirements of the Department and, in January, we completed

that process. What it involved was the establishment of three very generally stated, almost generic type goals that I set for the Department.

We took those goals out to the different agencies and asked them to develop sub-sets of goals within their own area of competence that would help us to meet the larger goal. We required that each agency complement its set of goals with the goals being developed by other agencies. It is insane to think that we operate in isolation in the Department of Labor, or that our agencies do from one another. Whatever we do affects what others do.

And then I guess about a month ago, we presented these to our top leadership in the Department, and they are now in place. And what we have got is a management system with articulated goals at the top clearly stated, 35 sub-goals that compliment the larger ones, and a system of measuring progress in achieving those goals.

Once a quarter, we will evaluate those goals against a set of milestones we set up. We set up a timetable for the achievement of those goals. And if we do not meet them, then I want to know why. And others who are looking over our shoulder can come in and measure us against those standards as well.

So I think the essence of the answer is to say I am comfortable with the progress we are making in the first nine months, but I want to tell you, Mr. Chairman, I am new at managing a place with 18,000 people in it. I have a lot to learn. So do the people that are with me. We have good people in the Department. They care; they are talented; they are committed, but we are going to do some learning with each other as we go. I have a lot of faith in them that they can do a heck of a job. When I leave there, I want it to be the best Department in this town, if I can achieve that, with the highest level of optimism and enthusiasm.

But I cannot tell you how much progress we have made yet, because I think that will be determined by facts that are not so measurable here in Washington. I think we are going to have to see whether we can achieve better training for young people, more employment for minorities and young people in the urban areas, the central cities; whether we can reverse the direction that this country has been going in for the last 20 years of declining educational achievement; whether we can help to improve the competitive circumstances of this country vis-a-vis other nations. It will be a while before we can measure that sort of standard, and I just hope that we can make some difference. We are going to try.

GRAMM-RUDMAN-HOLLINGS RESTORATIONS

Mr. NATCHER. Mr. Secretary, of the $360 million sequestered under the March 1 Order, how much of that is restored, if any, in your 1987 budget?

Mr. BROCK. I am not sure that any is restored, is it?

Mr. KOMAREK. Mr. Chairman, none of it is restored. We come back in each case where there is an increase over our Gramm-Rudman-Hollings level and ask the Committee to give us an increase. So there are no automatic restorations. Each restoration that occurs is requested in our budget.

Mr. NATCHER. About how much would that be?

Mr. BROCK. I think, for example, Mr. Chairman, in the area of fulltime employment is a good indicator, because this is about the way it is with the entire Department. Our 1986 appropriation that you approved was for 18,548 positions. After Gramm-Rudman-Hollings, we will only be able to afford 18,058 positions. In our FY 87 budget request, we are asking for 18,155 positions.

Mr. NATCHER. What about the amount of money involved? Just approximately.

Mr. KOMAREK. Mr. Chairman, I have it.

Looking at one display, and, as you know, with these budgets you can look at a variety of displays, our 1986 enacted for total outlays for both our controllable and uncontrollable accounts was $9.381 billion. That was our appropriation level.

Our revised level was $9.206 billion, in terms of outlays, and our 1987 request is for $8.936 billion. Let me though speak in terms of budget authority because that is probably a better thing to look at. For example, in budget authority in 1986, we had approved $9.247 billion. Then we reduced the Gramm-Rudman level of $353 million, which is the amount before this Committee. And that gives us $8.548 billion. And in dollars for 1987, we are asking for $8.644 billion. So again we are going back from $8.548 billion to $8.644 billion.

There are all sorts of other factors, of course, coming into play in terms of program changes, but in total numbers both in dollars, budget authority and in terms of FTE, we are getting back much of what was eliminated through Gramm-Rudman-Hollings.

JOB CORPS REDUCTION

Mr. NATCHER. We have before the Committee certain rescissions, a total of about $420 million, primarily in the Job Corps and Summer Youth Employment, two programs, Mr. Secretary, that we believed all along were right important. As far as the Job Corps is concerned, could you give us some idea of what your plans are if these figures are accepted from the standpoint of closing centers and making reductions? I am talking in terms of going down from 40,000 slots to about 20,000.

Mr. BROCK. About 24,000 average enrollments in 1986 and 22,000 in 1987.

Mr. NATCHER. Do you have any plans underway if this is accepted? Have you formulated plans?

Mr. BROCK. You know, what we have done is to set a series of criteria for evaluating the current centers. We have got I think 104 centers and we would close slightly less than half of them. We have established I think seven criteria: operational cost; capital outlay requirements; location versus need; performance effectiveness; the quality and potential of the faculty; the leased versus the owned facility and the degree of community support in the local activities.

What we try to do is to say, there are none of these that are not performing some useful service. They all are. I do not argue that. I simply say that I have got a constraint on funds. So what we try to do then is to see what criteria should we use to evaluate those that stay versus those that do not.

As far as I know, and Mr. Semerad might want to add to this, I do not think we have made any decisions, obviously, yet, and cannot until you make yours. But I think what we have tried to do is set up these evaluated techniques that would allow us to reach the most logical consideration.

Mr. NATCHER. Mr. Semerad?

Mr. SEMERAD. Mr. Chairman, I think it is fair to say the Secretary is absolutely correct. We have not made any decisions on that. The criteria that we have outlined are beginning criteria. We have been meeting with our regional Job Corps Administrators, as a matter of fact, this week, and are beginning to search how to do this in a way that continues to build and increase yield on whatever money is afforded us. Although we say 22,000 is the level of training slots available, reduced from 40,000 to 22,000, clearly we would like to improve on that figure in practice. There are ways, we think, to begin to design and implement the next generation of Job Corps Centers, taking lessons that we have learned in order to do a better job. I think we are not to the point yet to be able to say this program or that center should be closed or whatever. I think there are a lot of considerations. Certainly cost is an important thing. If we can get more successful placements and completions to the Job Corps Program per dollar expended than we are now, that would be I think a plus. Now whether or not this will occur, or how great it will be, I do not know, but we are trying and that is the message that we are putting out to the field and to the contractors and to the Federally-operated centers.

JOB CORPS COST

Mr. NATCHER. What figure do you use per enrollee each year, $16,000 or $17,000? Is that about right?

Mr. KOMAREK. Mr. Chairman, the cost in program year 1985 is estimated be $15,771 per service year.

Mr. BROCK. That is per slot. That is not per participant. That would be about what, two-thirds of that?

Mr. KOMAREK. Yes, about $9,816 per new enrollee.

Mr. SEMERAD. The range is large. The most expensive centers are generally those that are operated by Federal agencies as opposed to contractors. The contractors who have come in and won bids on contracts have done a very good job in bringing costs down. The Federal programs, or Federally-run programs are a little more difficult to contain, and the high side of any scale of costs you see will be in those centers operated on a Federal basis.

Mr. NATCHER. Mr. Secretary, when we mark this bill up this will be a serious problem as far as our Subcommittee is concerned because we have believed all along that most of these Centers have produced benefits for our people. I know of one Center, Mr. Secretary, where they built and constructed 10, 12, 14 small city halls, school cafeterias, fire stations. I was in a school cafeteria not too long ago that was constructed by the Job Corps center that would cost a little over a million dollars to a contractor, constructed by these Job Corps enrollees in this Job Corps Center. You go in and take a look at the way the doors are fitted and windows are fitted, just to perfection, Mr. Secretary, producing benefits for our people

which you can see, and where the small community and low-income counties furnish the materials and the Job Corps will build them a little city hall, a little clinic or fire station. And I think generally throughout the United States most of these can cite examples and show you projects that were constructed by the Job Corps Centers that have meant a lot to people. This will be a matter that we will carefully consider, Mr. Secretary, but we will have some problems with the reduction here.

Mr. Conte, I yield to you.

Mr. CONTE. Thank you, Mr. Chairman.

Mr. BROCK. Could I just say something before you start, Mr. Chairman?

I have some problems too. I do not disagree that they have done good work. I really do agree. I have been to some of these Job Corps Centers. These are good kids and very good people that work in them, very committed. I do not know how to meet all the needs. I cannot. And what we are trying to do is to say, "This is our best judgment," but we are sure willing to listen to you and to work with you and find the best way to meet the constraints.

We still have an overall limit to what we can do, both for the government and for our part in the government, Mr. Chairman. And I am a beneficiary of an awful lot of WPA projects in my home State of Tennessee. I am a beneficiary of a lot of work that was done by the old CCC back in Tennessee. I have still got mountain trails that I walk on in my mountain. I do not own it, but it is where I live back in Chattanooga. Those trails were built by CCC young people, and they are wonderful, and we are still getting that benefit, and it is an enormously valuable process. I just do not know how to live with what we have got to live with today and do everything we would like to do. I understand the problem. Sorry.

Mr. NATCHER. Mr. Conte.

Mr. CONTE. Thank you, Mr. Chairman.

I would like to welcome Secretary Brock before our Committee. Bill, you have had a long and distinguished career of service to the President and the American people. When you were nominated to the Labor Department, you brought with you a track record of integrity and the respect of all those who knew you and worked with you.

Mr. BROCK. Thank you.

Mr. CONTE. I was personally delighted by your nomination as Secretary of Labor. Since your confirmation, you have been very, very accessible and open, and I very much appreciate your willingness to take a look at matters of concern to the Congress, including myself, such as your sensitivity to the regional office issue last year, and a number of other matters as well.

We are all rooting for you, Bill. If there is any way that we can help, we will be there. Just call me.

Mr. BROCK. That is a nice statement. Thank you very much. I appreciate it.

MASS LAYOFF REPORT

Mr. CONTE. Let me raise a couple of issues with you. It took me a little by surprise when the budget request proposed the elimination

of $5 million in fundings, for the Permanent Mass which becomes a mass Layoff and Plant Closing Survey.

When we were discussing that last year, you and I had some conversations concerning what the Department was willing to do in this particular area.

Mr. BROCK. Yes.

Mr. CONTE. As you know, came very close to passing that bill. It lost by a couple of votes, unfortunately.

The two things that I understood the Department was willing to undertake voluntarily were the Plant Closing Task Force and the Survey. In fact, at that time there was a rescission pending of $5 million in the FY 1985 funding for the Survey. And, if I recall correctly, and I may be wrong, but, if I recall correctly, you indicated that there would be no more monkeying around with the Survey and that you would see that it was fully implemented. Now we come into this 1987 budget and there is a cut of $5 million here for the survey. It's even highlighted in your press release; and I am wondering why.

I hope you are not backing off on your willingness to undertake even this small survey.

Mr. BROCK. Well, I did not intend to highlight it, but I wanted to be very sure that you knew we were not having it, because we did talk about it, and I did tell you that it was a worthwhile project and that I thought it was worth doing and was going to support it. We simply ran out of money. The Bureau of Labor Statistics has already had to cut back on the number of surveys sites that it is going to do on some of the work that it is doing that is of enormous consequence to the country on the Consumer Price Index work that they are coming with, and I guess it is just a matter of priorities.

We did take a look at what alternative sources of information we have. The decision of those that were directly involved in the evaluative process went to this point. There is a system in place on getting information on plant closings and layoffs that will be completely operational in August of this year in eight States.

We will have a report on the incidence of plant closings and layoffs involving 50 workers or more in these eight States that will be prepared this year.

We have got contracts with 32 other States and the District of Columbia to develop a process necessary to capture the data that you want. This work is funded and that will continue through Fiscal 1986. And we have got contracts pending which should be completed shortly with three additional States.

Now there are seven jurisdictions where the getting of data has posed some particular problems. And we do not know yet how to address that question. We are still wrestling with it. But the essence of the response that I can give you is that in 8 States we have in place a system which will allow us in 1986 to collect, validate, and analyze the kind of data that we felt would be adequate to the needs of our task force and of your Committee, or your own work in analyzing the effect of plant layoffs.

It is not as simple; it is not as easy; it is not as straight forward as the $5 million expenditure would be. That is correct. Hopefully, it will be within the reasonable range of being adequate to the

need. If it is not, we are just going to have to simply revisit the subject, because the issue you raise is the correct issue.

We do not know enough about what we are talking about. Your way of getting it would have been a good way and an acceptable way to me. If I had the money, I would love to do it. It would certainly be faster and easier. The way we are having to go about it now is a bit more cumbersome. We hope it will be reasonably effective and accurate. I admit that there are at least seven States where we have got problems. So it certainly is not going to be 100 percent. But it was the best we could do within the constraints that we had.

Mr. CONTE. I agree with you. The Office of Technology Assessment came out with a report just recently. They found that some 11.5 million workers lost their jobs due to shutdowns between 1979 and 1984, and that only 60 percent of the workers found new employment. They found that no more than five percent of the millions of workers needing assistance were served by Job Training Partnership programs. This underlines the importance of at least collecting the data so that we can define how big the problem really is, and that is exactly why I feel the Plant Closing Survey should go on.

DISLOCATED WORKERS ASSISTANCE

Is the reason that you are requesting the $74 million supplemental for dislocated workers simply the President said he would request it when he vetoed the Trade bill, or is it that there is a real need out there for additional funds?

Mr. BROCK. There is a need. I have been there. That is my former area of work. Anyway, when I came into this job, I was an advocate and I remain one.

We have an awful lot of talent that this country is losing right now, and I am not sure we can afford to lose it. The $74 million we asked for was an effort to improve the oportunity for those individuals who are displaced. And, to the extent that we can do that, I think we are all better off; certainly they are.

Mr. CONTE. With regard to dislocated workers, you've set quite an ambitious agenda for helping economically troubled sectors of the economy, the farmers and shoe workers, for instance. In addition, Congress gave you the additional task of trying to make whole those States that did not have a significant amount of carryover to insulate them from the decline in budget authority for FY 1985 and FY 1986.

Do you feel you have sufficient resources to sustain all of these different initiatives, not only through FY 1986 but also 1987 when the level would drop back again to $100 million?

Mr. BROCK. Well, we hope that we can address the priority needs, and I am going to be saying all day we are not going to be able to do everything we would like to do. That is simply the fact. But what we have asked for is not just some dollars, but for some discretion so that we can apply these resources where there is a greater need. There are States that have been particularly hard hit, some by trade, some by a rapidly changing economic circumstance, and others that are not so much under duress.

The formula approach really does not give us the flexibility to respond to that on a priority basis and, simply, in this particular circumstance with the amount of resources that we have, frankly, it is the only way we know how to respond.

We have got to have more flexibility in order to go where the greatest need is.

TRADE ADJUSTMENT ASSISTANCE

Mr. CONTE. I have one more question. The other program meant to deal with situations like the shoe workers. Trade Adjustment Assistance, is on the verge of dying out. Now on this Committee, we funded the training and relocation part of the program in the continuing resolution, to the tune of $26 million. But the Ways and Means Committee failed to get an extension of the employment compensation side and, therefore, you shut that part of the program down on December 19th. My question is why wasn't the language in the FY 1986 Labor HHS Appropriations bill, which provided "for payments of trade adjustment benefit payments and allowances, as provided by law", sufficient authority to continue the compensation side through 1986?

Mr. BROCK. I think from my understanding of that, and that was a little bit confusing here in the Congress as well as the Department of Labor, as we evaluated the various sections that actually had the money, we felt we were potentially in a Catch 22. As you know, we made the decision to go ahead with the processing of certification applications because we have such a big backlog anyway. We figured that the Congress in their wisdom would correct this little anomaly in the process, that we would have to go ahead and process the claims and we could continue to pay for the training. But we potentially had ourselves in a box because if we continued to pay the claims from December 19th and the money was not forthcoming, then where would we get it. And I think that was a risk because it was not clear that we had the authority to continue to pay the income maintenance.

Mr. CONTE. It was clear that the authorization ran out?

Mr. BROCK. Yes.

Mr. CONTE. Could that money come from advances from the Unemployment Trust Fund?

Mr. SEMERAD. I believe the decision was made that that was not appropriate. I do not know that is true.

Mr. CONTE. But it could come from there?

Ms. WYRSCH. Yes, sir, it can come from advances and, as a matter of fact, it has come from there this year; but the basic authorization ran out so, regardless of the availability of funding, we did not have the authorization we felt.

Mr. CONTE. You did not feel that the language we had in our bill was sufficient?

Ms. WYRSCH. No, sir.

Mr. CONTE. Thank you, Mr. Chairman.

Mr. NATCHER. Mr. Smith.

Mr. SMITH. I just want to welcome the Secretary. Day before yesterday, I had your successor, Mr. Yeutter. He tells me you did not finish your job before you left.

Mr. BROCK. Everything was great when I left. I do not know what he did to mess it up.

[Laughter.]

AFFIRMATIVE ACTION

Mr. SMITH. Also, yesterday we had the EEOC, and I will ask you the question that I asked him. There seems to be some, I do not know if I want to say "conflict", difference of opinion between agencies in the government with regard to quotas and goals and so forth. That still exists, I guess; is that right?

Mr. BROCK. There is no difference among us regarding quotas. There has been some discussion in terms of whether the word "goals" can be made into a quota by the actions of those who administer a particular program. To my knowledge, there has never been any dispute within the Administration on the need to be sure we do not have quotas in the society.

Mr. SMITH. Well, with regard to a contractor, I guess he has a goal.

Mr. BROCK. That is right.

Mr. SMITH. It is really more than a goal, is it not? If he does not meet the goal, what happens?

Mr. BROCK. Then we evaluate whether he tried or not. We have under the rules of our Department, and there are other programs that operate differently, but my Department is responsible for the affirmative action program under the Executive Order relating to Federal contractors, the premise of which is if you are a Federal contractor, you have a special responsibility. You should be an example in removing all vestiges of discrimination of all kinds, and make a special effort to help in the employment opportunity of minorities, women, handicapped, veterans and the rest. And what we do is to say set a goal, but we do not, and on no occasion have we ever found a contractor in violation for not meeting the goal, because that would be a quota. If you say you have a goal, then say you have to meet that exact amount, that is a quota by another name. We go in and evaluate their good faith efforts. There may be reasons why they have not met; but if they try, if they exercise good diligence.

Mr. SMITH. How do you get a lawsuit going?

Mr. BROCK. We do not have a lawsuit against us.

Mr. SMITH. No, I mean the contractor.

Mr. SEMERAD. We have disbarred two contractors and I think in both cases it was because they refused to even try to set a goal. They gave us no evidence that they were willing to make an affirmative action. It had nothing to do with a quota.

Mr. SMITH. Are you saying there is no difference? People out there think there is a difference between agencies in the government as to your policy.

Mr. BROCK. Congressman, we are in a continuing conversation on how to have an effective affirmative action program and yet be very sure that either by explicit action or implicitly they become distorted into some preference or some goal.

I do not think there is any difference between us on where we want to go. There may be some question on how best to move in that direction.

Mr. SMITH. Whatever the policy is, it is not good whenever there is confusion out there as to what the policy is.

Mr. BROCK. That is correct.

Mr. NATCHER. Mr. Pursell?

Mr. PURSELL. Thank you, Mr. Chairman. I want to congratulate the Secretary and his staff. I was one of those who, some years back, served on the Conference Committee that dealt with the CETA bill. As I recall, Jake Javits was one of the Conferees from the other body. As a freshman, I was honored to serve on that Committee. I also remember the criticism we heard of the old CETA Program, and how this Congress then moved the Job Training Partnership Act legislation. I think it is working a lot better.

Mr. BROCK. It is.

EVALUATION OF JTPA

Mr. PURSELL. The JTPA seems to be more "involved," if I may use the term. It is soliciting good support from both the business and labor communities to develop a better, more effective, quality-type of retraining program. I agree with your assessment that it is not perfect due to limited funds, but the Job Training Partnership Act seems to be working pretty well across the country.

Has there been, either in the Labor Department itself or externally, any oversight with respect to job training? Are you comfortable that it is working well? You are suggesting now that you want to target more in severe areas of dislocation, such as in areas where there have been plant closings. You want to go in that direction, I understand, in JTPA as well as Title III?

Mr. BROCK. But that is more in Title III. Title II is the bulk program for the majority of people, and that is where we have a million people.

First, I really do think Congress made a fundamentally right decision. The partnership concept is a valid concept. It is proving itself. We have had a couple of years now, and the results are really dramatic. We have more than doubled the yield of this program for dollars expended and that is tremendous in human terms. I think we have to look for more opportunities to do this, but we have got local involvement. We have most of these funds being channelled into vocational institutions at the community level. We have the support of the vocational community. We have the support of the union members. We have the support of business people, of community leadership, because the decisions are being made there in the community. And that is a very exciting way to do it.

I am a great believer and, frankly, I think we have a lot to be proud of, and I think you deserve the credit, this Committee and others.

NEED FOR DISLOCATED WORKER ASSISTANCE

What I think Mr. Conte was talking about was the need that we feel, I feel very strongly, to do more in the area of those individuals

who have been displaced by trade or technology. But there are plants that have closed that have an enormous dislocation effect on communities. And where we can be of support, we should try to do that.

I guess what I am saying is that a formula approach really does not seem to address dislocation as effectively as a discretionary approach does.

We think we can get more support to more individuals, more effectively by asking you to give us discretion to go where there is a priority, an urgent situation.

Mr. PURSELL. We had a good case of that in Jackson, Michigan, which I represent. We received a newspaper, a Jackson city paper, here, the 15th of February. The headline reads, "Jackson jobless rate down." There are a lot of good reasons for that. The unemployment rate is the best it's been in Jackson in six years, and they are all excited about that. I want to say on the record that your Department has funded some training through VOTECH and the Jackson Community College, and I had the honor to speak before the graduation exercises of those who received that training. You could almost see tears in the eyes of some of those people who had been laid off and dislocated because of plant closings, like some Goodyear employees. That set up kind of a dismal feeling within the community of Jackson. And I want to say to the Labor Department staff, people who expedited the program and targeted those people, realizing there were scarce funds, that their work has had a great payoff in human terms. Those people have been retrained through the college, through business and through labor in a coordinated way. I am very pleased to say that kind of effort does result in some very effective retraining programs. Those that went through the program now have new jobs, and some fairly good jobs, not just at minimum wage. They are retrained in skills.

Mr. BROCK. That kind of contact does more to improve the morale of the Department of Labor than anything else we do. I appreciate it. We will pass it along.

Mr. PURSELL. I just wanted to state for the record that it had some pretty good results for my constituents, and I think it had some impact on the jobless rate, this retraining program. I think it does indicate to me some living testimony that those programs are very successful.

Mr. BROCK. That is correct.

Mr. PURSELL. Thank you, Mr. Chairman.

Mr. NATCHER. Mr. Stokes.

MINORITY UNEMPLOYMENT

Mr. STOKES. Thank you, Mr. Chairman.

Secretary Brock, I join my colleagues in welcoming you before our Subcommittee.

I would like to return to Mr. Smith's question to you about equal employment opportunity. We talk about quotas in a great deal of discussions and dialogues about equal employment opportunity.

Quotas are not the problem. The basic problem is how does a society such as ours, based upon a Constitutional theory of justice, continue to discriminate against persons because of color. Is not

that really the basic problem? How do we rid ourselves of the abdominable practice of racial discrimination in job training? Unemployment for black Americans remains as bad as it was in 1980.

Mr. BROCK. Yes, sir.

Mr. STOKES. We talk about the fact that we have had three years of economic recovery. The overall civilian unemployment rate is now a little lower than it was five years ago. Structural unemployment problems remain as bad as they were in 1980. Only white Americans have experienced improvement in the labor market with a 6.3 percent unemployment in December, 1980, compared with 5.9 percent in December, 1985, according to Labor Department figures. Black and Hispanic unemployment rates are essentially unchanged. Black unemployment at 15 percent in December of 1980 compared with 14.9 percent in December, 1985.

We are dealing with an explosive situation. It is at least abnormal. It is not a normal situation.

As Secretary of the Department of Labor, what do you intend to do about this?

Mr. BROCK. Congressman, the Department has a role and responsibility that is well-defined by the President and by this Congress. It is our job, first, in the very fundamental sense to try to see that there are facilities, training opportunities for those individuals who may have dropped out of school, not completed their education or who may have lost their jobs for competitive or technological or trade reasons. There are opportunities for them to acquire the skills to continue to be productive as human beings. We try to do that. There are a number of programs that you authorized us to conduct.

We also have a responsibility of an affirmative action program to insist that Federal contractors reach out to minorities, to veterans, to handicapped and to give them opportunities they might not otherwise have. Federal contractors that do business with this government have a special responsibility.

I think the individual projects that we have that you have assigned to us as a task, I think the Department of Labor has a responsibility to look to the wider range of government programs and try to coordinate them and pull together whatever funds we can to maximize the yield of the total Government process, local, State and Federal.

For example, yesterday, I testified before Senator Paul Simon and Senator Dan Quayle with the Secretary of Education on how our two Departments could more effectively coordinate and cooperate.

It is astonishing to me that we have Federal Departments sometimes acting as if they were two ships passing in the night with no communication. We are going to try to change that while I am here, because it does not work. And, to the extent we can make a contribution in that respect, I hope we can make a difference as well.

In the final analysis though, I think you know better than anyone else in this room that it is the basic state of the economy that offers us an opportunity to be successful. We have made a remarkable recovery. We are in the strongest recovery we have had in 50 years.

Some have not advanced themselves as much, that is true. The old cliche that a rising tide rests all boats applies only for those who have boats, and some do not, and we have to find a way to be sure they are not left out of the process. I think we have got a lot left to do.

ADDRESSING MINORITY UNEMPLOYMENT PROBLEMS

Mr. STOKES. Mr. Secretary, a great deal of attention is being directed to Black female teenage pregnancies. CBS recently aired a documentary on this subject. The Washington Post featured an article as did Time Magazine. Everyone suddenly discovered this great problem. It is a problem, actually, that *Ebony Magazine* identified with a cover story a year ago. *Ebony* featured a story about children having children. But, no one zeroes in on the basic problem with Black youth who father these children and who do not marry the woman and take care of the child. No one talks about the fact that these fathers do not have any jobs. According to Labor Department statistics, 40 percent of Black youth in America are unemployed.

So we are talking about the fact that one out of every two Black youth in this country is unemployed. Most of them go from youth to adulthood never having had a job, never having had a Social Security number, and not knowing what it means to get up in the morning and prepare, dress properly and go to work. We are relegating a whole generation of Black youth to a destiny of hopelessness and despair and all the things that go with it.

Now, rather than for us to continue just saying that somewhere along the line something will happen, all boats do not rise because some people do not even have a boat.

What are we going to do? Take, for instance, your FY 1987 budget. The situation will be exacerbated by an employment and training block grant appropriation cut $43 million below the Fiscal Year 1986 appropriations level. Summer Youth Training funds would be cut $208 million below the fiscal 1986 level. Job Corps funds would be cut $288 million below the Fiscal Year 1986 appropriation funds.

All of these programs that would help improve the employment prospects of economically disadvantaged and minority youth are being cut.

What are we going to do, Mr. Secretary?

Mr. BROCK. I wish I were the source of all this or maybe not. I know that I am not, but I am not sure that I am wise enough to answer that question.

Taking off my direct responsibility's hat and looking at it as you have looked at it, I do not think anybody that knows these numbers of 41.9 percent greater unemployment with Black teenagers can do anything other than be terrified for the future of this country. It is just not acceptable. It is insane.

You take kids that have dropped out of school maybe because they wanted a job and were hoping to get one, and that is maybe why they quit, 16 or 17 years old, but when they find out they have no experience and, therefore, they cannot get a job and cannot get experience, they are caught in that Catch 22. They try for two,

three or four or five years, really working at it. Everybody wants to be productive. We get a lot of stuff about people who do not want to work. Most people do, an overwhelming majority, but in talking to a man I have a lot of respect for, Ben Hooks he said, "You know, by the time they are 22 or 23, they are gone." And he said, "They are gone. You can't touch them and I can't touch them. They are gone. They are lost to the system."

What do we do? I do not know.

I think, first of all, a lot of things we are trying to do are remedial and, therefore, expensive. I think we are trying to play catch-up ball. If you really want to deal with this problem, we have to do a better job on the front end with pre-school education. The study that was done in where was it, Minnesota and Harlem, that says additional pre-school work with kids would substantially improve the process. If I remember, you mentioned to me pregnancy, teenage pregnancy was reduced 50 percent with people in this particular population group. It does not sound like it has anything to do with pregnancy, but it does. And we in the communities and the country and States have got to face up to the fact that we have not done anything even close to an adequate job with our schools. Seven or eight thousand kids are dropping out of school each year. Most of them are going to be functionally illiterate. We are graduating 700,000 more kids each year that are also functionally illiterate. That is inexcusable.

Twenty-three million Americans cannot read a help wanted sign. There is something fundamentally wrong here. It is almost criminal.

Mr. STOKES. It is criminal.

Mr. BROCK. I do not know that there is one answer.

I think part of it is pre-school education. I think part of it is in a much more effective school system where teachers have the backing of principals and principals have the backing of parents and parental involvement. And all of us understand that in the decade of the seventies while we increased spending for education by 12 percent we reduced the percentage going to teachers from 48 to 38 percent. And teachers had a net decline in pay of 12 to 15 percent in real income because of inflation. And we just cannot continue this, Congressman, to walk down a path that is causing this to be a difficulty.

I am not sure there are governmental answers to things like teenage pregnancies, at least at the Federal level. But something has to change and we, as a society, have to understand that we cannot survive if there are this many new people being disadvantaged or put into a circumstance where they cannot help themselves. All of us are affected. I told a group of private school parents over in Baltimore not too long ago, "We have got as much stake in the public school system as anybody alive. Don't tell me you have got your kids in a private school and that separates you out, that you are protected, you are not. You have got just as much at stake in the public school system as anybody and all of us have got to do something better than we are doing."

Mr. STOKES. My time has expired. Thank you, Mr. Chairman.

Mr. NATCHER. Mr. Hoyer?

Mr. HOYER. Thank you very much, Mr. Chairman.

Mr. Secretary, I must say, as you know, your appointment to this position upset me, and you have upset me more with your response to Mr. Stokes. I thought you were doing an excellent job as Trade Representative. I think you might now do an excellent job as Secretary of Education.

Mr. BROCK. Thank you very much.

Mr. HOYER. Without those two considerations, it was an excellent appointment. I am very pleased with your appointment. I think you are one of the best people the Administration has put into office. That is not to say I agree with you on everything and you do not agree with me on everything, but I think you are doing an outstanding job. I would be remiss if I did not remark, as the other Members of the Committee, I think your position with respect to the Affirmative Action Executive Order was right and courageous in the context that some of the folks in the Administration have felt different than you on that particular issue. I think it was consonant with the Congressional feeling and your own party, and I want to congratulate you on it.

You have a tough job, one of the most critical jobs in the administration. I concur almost entirely with Congressman Stokes, which I usually do. I would add, however, that teenage pregnancy is not a black problem. We ought not allow the country to believe that it is a black problem that can be segmented off and applied to black teenagers.

Mr. BROCK. Thank you for saying that. It is important. You are right.

Mr. HOYER. Marion Wright Edelman spoke recently at a conference at the Greenbriar and pointed out that Time Magazine in its recent article on teenage pregnancy had on the front cover a white teenager. The point being that it is endemic to teenagers across the board and it is, therefore, not something that affects only one segment of society. We can't just say: "Well, that is their problem." It is not anybody's problem except the Nation's problem.

Mr. Secretary, because our time is brief and I have got a few specific questions, I would like to ask you just a couple.

POSSIBLE REDUCTIONS IN FEDERAL PERSONNEL

First of all, as you know, I represent a large number of your employees. Can you tell me what are the ramifications to your work force in terms of RIF's or layoffs pursuant to Gramm-Rudman-Hollings cuts that have already occurred or will occur on March lst?

Mr. BROCK. Sure. Not much. In all honesty, Congressman, we saw the congressional move in the late fall. We began to tap down on new hirings at that time, a virtual freeze, and, therefore, we got about a three-month jump on the process.

Others might be in a position where, because they waited, the real cut would be about 7.6 percent on the date that it was announced because they lost those early months of the fiscal year. We were just frankly lucky to jump ahead. And it is my belief that we can avoid almost any negative consequences. If we have any, they will be very small. At worst, we may have one or two agencies that, because of the across the board nature of the cut, might have to furlough for a very limited number of days. But I do not think it is

going to be serious and with those one or two exceptions, we are probably going to be okay in all other areas of the Department, with no furloughs or changes at all.

We have tried very hard to keep our good people and we do not want to put them under any pressure.

Mr. HOYER. I think that is very good news. Even the threat of RIF's, is it bad for morale across the board? It causes some of your best people to look for jobs elsewhere and keeps some good people from looking to the Federal service as a possible place of employment.

Mr. BROCK. Congressman, there is one thing I found out when I went over there with 18,000 people, I cannot survive without their help. They are good people. They are talented, they are committed and they care about what they are doing and, to the extent I can support them, I will and we are going to try to be sure they do not get into that situation.

PROFESSIONAL, ADMINISTRATIVE, TECHNICAL, AND CLERICAL PAY SURVEY

Mr. HOYER. I appreciate that sentiment and your comments.

Let me ask you, Mr. Secretary, what is this Professional, Administrative, Technical and Clerical Pay Survey? Do you happen to know? You may not know that, it may be too esoteric.

Mr. KOMAREK. That, Congressman, is a survey which we read about every summer when it comes time to determine what Federal pay should be the upcoming year.

Mr. HOYER. Is that the technical name for the Pay Advisory Study?

Mr. KOMAREK. Yes, sir.

Mr. HOYER. How many folks do we have working on that study? Do you know?

Mr. BROCK. We currently have 63 staff working on this study. We are ultimately planning to add 46 people to work on that particular area. The objective of the proposal is to improve that survey so that when the results come out there will not be the disputes that surround it as it is now.

Now, when the numbers come out, there is considerable dispute about the validity of the survey. We think with this additional money we are requesting that we will be able to improve the validity of the survey to a point where there will be less challenge.

Mr. HOYER. One of the severest critics, now that I know specifically what it is, is now working for the Leader on the Senate side. Mr. Devine is doing some work over there.

JOB CORPS REDUCTION

The last question that I might ask is about the Job Corps. This has been a bone of contention between the Administration and Congress. This Committee, as you know, has been very supportive. It is an expensive program, but this Committee has generally felt that it has a program that was worth the money we spent on it.

You are proposing to phase down the Job Corps by about a third. How will the phase down occur? What do you contemplate as the impact if Congress should adopt your proposal?

Mr. BROCK. Well, what we have tried to do is to set up evaluative criteria that should let us take a look at each of the Job Corps Centers. It does not make sense to reduce each center by the same number of young people. That is crazy. That is going to make your costs go up per person and make the cut even more dramatic.

We believe the best way to go is to take those centers that are best and keep them, and keep as many of those as we can. And when we get to the point we have expended our dollars, do the best we can.

So we set up our criteria by which we make that evaluation and then we know that as those contracts terminate, close down that particular center.

It will, we hope, be as quietly and nicely done as we can do it. There is nothing comfortable about what we are going about, nothing good about it. If it was a matter of choice, we would have the centers continue.

We have said it for the record that we would try to get down to about 22,000 slots. The way we came up with that number, Congressman, was simply to take the dollars and do a quantification with those dollars in terms of slots. In all honesty, if we do not have more than 22,000 people, we have not done a very good job. But by cutting back some of the less effective centers, we can keep those that are more effective which are getting a higher yield in number of young people per dollar expended. We should be able to improve on that. We should not go as low as 22,000. But we have to be, you know, at least mathematically, honest with you and then try to managerially do a better job. Unless you have any other comments you want to add.

Mr. SEMERAD. No, I think our commitment to the segment of the population the Job Corps serves is such that we share that concern. We believe it is a successful program. We are showing about a 64 percent success rate, positive terminations, and that, by any standard, is a good human service effort. It is too expensive. There is a wide disparity, as we said earlier, between costs per center. Private sector-operated centers generally cost less than those centers that are run under Federal agencies which are much more expensive because they are constricted by the Federal roles. But we are going to do everything we can, as the Secretary points out, to do better than just what the mathematical formula suggests the number of slots should be. Even if you were to give us the whole amount, we are going to try to dramatically increase the yield on those dollars and the number of actual young people who can go through those slots in the course of a year, not sacrificing quality, but get a better investment for the taxpayer investor.

Mr. BROCK. The Job Corps is unique. There is nothing else that will serve that community, and that is the frustration of what we face in the budget cycle.

One of the things that I hope we can achieve over the next few years as we go through the agony of this budget constriction is a better understanding of what kind of expenditures are worthwhile and what kind of expenditures are not.

There are qualitative differences in forms of taxation. There are qualitative differences in forms of governmental expenditures. Some of them get a return; some do not. Some of them are there

just because if you do not give people some nutrition, they are going to starve. But that is an expenditure that is gone, and it is different in the great important sense from an investment in a human being in that it takes them from a non-productive, and hopelessly so, status into a productive status where we get a return on that investment.

Somehow, we have got to start thinking about this Federal budget in terms of what comes back to us in yield, more effectively.

Mr. HOYER. Mr. Secretary, thank you very much for your answer.

I would observe in closing that it would be much easier to work toward that end when you are starting from the premise that you do, which I think is a much more positive premise. In this particular case we are serving a need that will not be met otherwise, and how we best meet it as opposed to simply, "This is a local problem." You, from your experience in serving Tennessee, you cannot shove everything on the locals, because the locals do not have all the answers or the resources either.

I thank you, Mr. Secretary and, again, congratulations for all you are doing.

Thank you, Mr. Chairman.

SUMMER YOUTH REDUCTION

Mr. NATCHER. Mr. Secretary, I believe you are also proposing quite a reduction in the Summer Youth Employment Program, beginning with the summer of 1987.

What is the rationale for this proposal and this reduction, Mr. Secretary?

Mr. BROCK. The rationale, Mr. Chairman, is, again we simply do not have the money, and, in looking at the mandated responsibilities of the Department, we simply did not feel that we could cut areas that directly involve health and safety, such as OSHA, and other responsibilities that are mandated by you and by law.

What we have suggested to you, again, is a change in the way the program is conducted so that we can take limited funds and apply them in the area of greatest urgency. When we were talking with Congressman Stokes, for example, about the problem with minority unemployment, the greatest concentration of that is in urban areas. And there, we think, we can, by a redefinition of the approach, put funds in the area of greatest need. And where there are areas that are not so needy, shift those resources to areas where there is a greater need.

Mr. NATCHER. Mr. Secretary, this proposal, I believe, would reduce the number of jobs by about 370,000. What do you have to offer now in the Department that will take the place of these jobs?

Mr. BROCK. We do not have anything to offer. These are summer employment opportunities that, in our judgment, may not be necessary for the Federal Government to respond to in some communities. The recovery is sufficiently strong in many areas of this country that the need for this is substantially reduced. There are probably some young people that might have trouble getting a job anywhere, that is true, and we cannot go to every one of those anyway.

But what we hope we can do with the proposal we have before you is to focus on those areas of greatest need.

Mr. NATCHER. Mr. Secretary, as you know, from the standpoint of the change in the allocation formula, would it not be a little better to go back to the authorizing Committee and see whether or not you could get that done?

Mr. BROCK. Yes, sir, but we do not have time. We need to let people know well in advance. You have been funding this on an advance basis throughout the course of the program because of the need for people to be able to plan. I do not have any objection to trying that authorization as well. But it seemed to us that this was the most effective and expeditious way to do it.

DISLOCATED WORKERS

Mr. NATCHER. I believe you have one request for a supplemental of $74 million——

Mr. BROCK. That is right.

Mr. NATCHER. For the Displaced Workers Program. Why is this supplemental necessary, Mr. Secretary?

Mr. BROCK. We have had, in the last two or three years, a very substantial problem with displaced workers, and we question whether there is an adequacy of funds. The problem has been complicated by the fact that 75 percent is allocated by formula grant, and that means they go whether there is a need or not to all States. We have, in effect, a less than fully effective program. So what we are asking for is this $74 million in discretionary funds and then, frankly, a termination of the non-discretionary portion and a completely discretionary program henceforth in order to prioritize the application of these funds.

There are communities that are currently disadvantaged. We would like to be able to go in there and help without having to worry about the formula, but on the basis of priority.

Mr. NATCHER. Last year, and prior to your time, Mr. Secretary, the request was made to bring this program down to about $100 million. As I recall, we went along with that request, and were criticized somewhat for doing so. So now, instead of making a reduction, you want to go back up again.

Mr. BROCK. It is a short term increase though, Mr. Chairman. We, frankly, think that as we swing from program formula basis to a discretionary approach, the $100 million will be adequate. And, in all candor, our task is going to be eased as we begin to receive some of the benefits of this substantial change in value. Normally, it takes about 18 months for that to filter through the economic system. But sometime in mid-'86 to late '86 we should be able to see some tangible benefits and the pressure on us in terms of trade displacement is going to be reduced.

In all honesty, I do not see any change in the displacement from technology. As a matter of fact, I think we are going to see the fastest economic change this country has experienced in its history over the next five to ten years. So we are going to have displacement, but it is going to be more related to technology than trade.

TRADE ACT

Mr. NATCHER. Mr. Secretary, why is the Administration so strongly opposed to worker adjustment assistance under the Trade Act?

Mr. BROCK. I think, basically, because there is a question as to whether it has really worked very well. The work that has been done, mostly by others, frankly, before I got into this subject, indicated that the TAA approach tended to be an incentive for people to stay on the support system without seeking the training or alternative educational or job opportunities as long as the income maintenance was provided. And when it terminated, then there was more effort to get work.

I do not really know how to comment on that because I did not participate in those studies. But I think there is a sense that the Title III approach that you have designed, that Congress designed some time ago, has been more effective in supporting individuals than has been the TAA approach.

GAO REPORT

Mr. NATCHER. Mr. Secretary, in your opening statement to the Committee you mentioned the report of the General Accounting Office. We will place the summary of the report in the record at this point.

[Information follows:]

BY THE COMPTROLLER GENERAL

Report To The Congress

OF THE UNITED STATES

Strong Leadership Needed To Improve Management At The Department Of Labor

This is one in a series of GAO reports evaluating management effectiveness at major cabinet-level departments and agencies. The last 5 years have been a period of significant change for the Department of Labor. Several of Labor's missions have been redefined or refocused; its budget and work force have been substantially reduced; and key constituent groups have questioned the effectiveness of some of its major programs.

Labor has taken several positive steps to address its management problems. However, Labor needs stronger leadership to more effectively address them and improve its performance and image. It also needs to strengthen management of its work force and financial operations.

Soon after taking office, Secretary Brock acted to address the management problems GAO identified and demonstrated the degree of commitment and support GAO believes is essential to improve Labor's management.

GAO/HRD-86-12
OCTOBER 21, 1985

COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON D.C. 20548

B-219199

To the President of the Senate and the
Speaker of the House of Representatives

This report discusses the need for stronger leadership at the Department of Labor and is one of a series GAO is issuing on the management of major departments and agencies. Our purpose was to assess Labor's management, analyze problems and determine their underlying causes, and recommend actions to improve operations.

On June 13, 1985, we briefed Secretary Brock on the results of our work and the actions we believed necessary to increase program effectiveness through better management. The Secretary agreed with most of our recommendations and acted promptly to address them. In addition to discussing specific actions the Department can take to improve management, the report points out actions the Congress could take to improve and sustain sound management at Labor.

We are sending copies of this report to the Secretary of Labor; the Director, Office of Management and Budget; and interested congressional committees, subcommittees, and individual members.

Charles A. Bowsher

Comptroller General
of the United States

EXECUTIVE SUMMARY

Effective implementation of policy initiatives depends on well-managed programs. Too often the government focuses on policy issues rather than the management structure and systems needed to effectively implement policies. GAO has undertaken several broad reviews to focus on management. This report on the Department of Labor is one in a series GAO is issuing on major cabinet-level departments and agencies.

By focusing on the Department's major missions and relating managerial problems to programs and the needs of top officials, GAO sought to demonstrate how management could be improved to avoid crises by identifying and handling emerging issues; minimize vulnerability by implementing and controlling management systems for efficient and effective program delivery; and operate financial, procurement, and automated data processing systems in a business-like way.

BACKGROUND

The Labor Department administers more than 130 laws to promote and develop the welfare of wage earners, their working conditions, and their opportunities for profitable employment. Outlays for fiscal year 1985 were estimated at about $23.5 billion, of which $18.3 billion will be spent on the nation's unemployment insurance program.

Labor is a conglomerate of largely independent agencies. According to former Labor officials, Secretaries have generally focused on external matters rather than on managing the Department's programs. There has been a high turnover rate of political appointees in top program management positions (about every 26 months). Also, over 80 percent of Labor's expenditures are managed at the state and local levels.

The last 5 years have been a time of major change at the Department. Federal regulatory approaches have shifted, and greater reliance is being placed on state governments and the private sector to operate Labor's programs. Labor has had significant funding and staff decreases. These changes have caused some management problems.

To identify key issues and problems, GAO sent a questionnaire to program managers in headquarters and four regional offices. GAO also reviewed selected program activities, talked to interest groups and experts that knew about the Department, and reviewed seven functional areas department-wide: planning and budgeting, personnel, productivity, procurement, financial management, information resources management, and audit, review, and evaluation. In addition, earlier reports on Labor by GAO and others were reviewed.

RESULTS IN BRIEF

Labor needs strong Secretarial leadership.

GAO briefed Secretary Brock on June 13, 1985, about 1 month after he became Secretary, regarding management problems, their causes, and possible solutions. The Secretary acted quickly, calling upon agency officials to develop an action plan to deal with the problems. On July 25, 1985, he received a detailed action plan to begin addressing the problems.

Those problems involved (1) limited management planning and control that have reduced Labor's ability to identify and address emerging issues and problems and identify program activities that could be vulnerable to fraud and waste; (2) limited attention to enhancing work force quality and efficiency, resulting in staffing needs often not being identified and managers not always being held accountable; and (3) lack of strong Secretarial support for management systems, resulting in component agencies operating administrative support systems that do not always adhere to central policies or give the Secretary sufficient information to manage operations.

PRINCIPAL FINDINGS

Following are the major findings presented to Secretary Brock on June 13.

Stronger Direction

Labor had no systematic department-wide long-range policy planning process. As a result, the Department generally operated in a reactive rather than a proactive mode. Some long-standing problem areas that could have benefited from long-term planning include: (1) determining how best to use Labor's 200 investigators to achieve

a credible enforcement program covering over 900,000 pension plans, (2) reducing the lengthy time involved in issuing regulations, and (3) integrating acquisition and use of automated data processing resources without unduly constraining component operations.

In addition, the Secretary generally did not identify key priorities or systematically track progress. Labor's process resulted in more than 300 agency-generated objectives, of which about 90 were categorized as critical. The large number of objectives--critical and other--made it difficult to determine what was really important, track progress, and hold managers accountable. However, where the Secretary did identify his priorities, such as implementing the Job Training Partnership Act quickly and shifting Labor's approach to enforcement, results were achieved.

Better Control

GAO's analysis of Labor's control and oversight mechanisms showed that (1) information systems did not always provide sufficient data on mission attainment; (2) monitoring of programs primarily operated at the state and local levels may not be identifying vulnerable areas; and (3) audits, reviews, and evaluations were often not perceived by program managers as identifying and resolving problems.

Enhance Work-Force Management

Labor has had nine reductions-in-force since 1982. A key goal was to dismiss as few people as possible. This was achieved, but at a cost. Some inexperienced people were placed in jobs with subsequent losses in efficiency in some program units, low staff morale, and possible long-term problems in filling managerial positions. The adverse effect of these reductions might have been lessened if Labor had better identified and planned for long-term staffing needs.

Also, Labor's training and management development programs lacked credibility among many program managers, and significant variations existed among agencies in the awards given for outstanding performance, in actions to improve poor performance, and in demotions and removals based on poor performance.

Improve Support Functions	Labor has not operated key support functions--financial management, automatic data processing, procurement, and productivity improvement--as effectively or efficiently as possible. This is largely due to components' not adhering to central policies. For example, a 1979 Department-wide policy to improve productivity was adopted, but little systematic action has resulted. Improved productivity at Labor is especially important since the Department is carrying out its mission with fewer resources. Also, funding limitations have often been exceeded by component agencies, raising the potential for Anti-Deficiency Act violations.
RECOMMENDATIONS	GAO is recommending a series of actions to the Secretary of Labor to deal with specific management problems. Broader recommendations--such as designating a key official above the assistant secretary level to focus on management--involve strengthening Secretarial direction, tracking, and support systems to hold managers accountable. The Congress could facilitate improvements by reaching agreement with the Secretary on key management issues to be addressed and ways to measure progress through periodic oversight efforts.
AGENCY COMMENTS	The Secretary agreed with the need to strengthen leadership and improve management and with almost all GAO's major recommendations. He described many improvements that have been made and that are planned or underway. Among the actions the Secretary said the Department would take are (1) articulating long-term goals, (2) developing and implementing an effective system for initiating and for managing Secretarial initiatives and goals, and (3) designating the Under Secretary to handle day-to-day management on his behalf. Labor did not fully agree with GAO on the need to improve implementation of the Federal Managers' Financial Integrity Act for programs operated at the state and/or local levels. GAO continues to believe Labor needs to improve in this area. (See pp. 94 and 104.)

TECHNICAL ASSISTANCE

Mr. NATCHER. Do you feel, Mr. Secretary, at this time that your Department is doing an adequate job of monitoring the job training programs and providing the technical assistance to local sponsors?

Mr. BROCK. I think we are doing better. I have never known how to define the word "adequate". I am never comfortable that we are doing everything we ought to do, but I do know we are trying very hard. Maybe Mr. Semerad might comment.

Mr. SEMERAD. I think that we have mechanisms that are tracking the effectiveness of the program. We are trying to regenerate the attitude of technical assistance as a priority item. I am urging the regional people on the staff here to work with their clients and expand their client base to the governors, the State Councils, the SDA and organizations and everything else to provide the kind of assistance and the kind of leadership where it is appropriate without imposing the heavy hand of Washington on local initiative and local decision-making. I think I am quite comfortable with the fact we are getting data that suggests positive movements in the first nine months of JTPA. We now have the first full year of data on JTPA which shows increases in practically every category. So, as people adjust to the new system, I think there are so many things really to be proud of and pleased with the direction we are going.

We are not perfect yet, but we are looking at all of these things. And the Secretary has expanded and put a premium on lots of conversation with State people and with community-based organizations to make sure that everybody is in the process that we are talking to one another.

We have good conversations going on with other agencies of the Federal Government, with Congressional staff, to try to move through these problems and make adjustments, as necessary, not only to make sure that we are not providing barriers to success but to also make sure that we are following through on the mandate that you have given us.

PILOTS AND DEMOS

Mr. NATCHER. Last year, as you recall, the budget presented to our Committee proposed to terminate certain programs; for instance, the Job Training pilots and demonstration. I believe this year we have an increase here of $20 million. Why the change now? Last year you wanted to eliminate, and now you want an increase.

Mr. BROCK. Because I did not agree with what was proposed last year.

WORK INCENTIVES ELIMINATION

Mr. NATCHER. Your Department, Mr. Secretary, administers, as you know, a large portion of the work incentive program, the WIN Program, even though the appropriation goes to the Department of Health and Human Services.

Why should we eliminate this program which is aimed at getting people off of welfare, and which is being successfully administered in a number of States?

Mr. BROCK. I do not argue that there is not merit in the program, Mr. Chairman. I think what we had to do in looking at this reduced budget was to evaluate relative orders of priority and to pick those things that have the greatest yield rather than those that may have had a slightly lesser one. It was our feeling that the WIN Program, while not without merit, did not get as much bang for the buck as other things that we did in the budget and that there were resources available to those people in other programs, such as JTPA, that would still serve the constituency.

Mr. NATCHER. Mr. Secretary, do you plan to make any radical changes in this particular program or shut it down completely before the Subcommittee acts?

Mr. BROCK. No, sir.

Mr. NATCHER. Mr. Smith, I yield to you.

Mr. SMITH. You proposed changing a number of other programs when you did not think there was sufficient yield. Why did you not propose changing this program so it would have a better yield?

Mr. BROCK. I am not sure that I know how to change it in a way that would save enough money. But, if you have got a suggestion, I will sure look at it.

Mr. SMITH. Let me go through a little explanation here.

Back in about 1965, Sargent Shriver, who was head of Poverty, called me one day and he said, "We have got $103,000 left over little spots around, and do you have a suggestion for how we could use it?"

I said, "Yes, I do." So I called the Welfare Director in Polk County and I said, "Can you find 53 ADC recipients who would take training if they had a promise of a job?"

He said, "I will."

And he did. I called the Chamber of Commerce and said, "Will you get some of the insurance people together and have them promise 53 jobs?" And they did.

Then we went to a business school, an area college, and got those welfare mothers tuition money, and they stayed with ADC, as a matter of fact. There was some question as to whether or not they could. For $103,000, 51 of them got a job. We came down here, and Sargent Shriver liked that, and he proposed that as a program. Nobody wanted it. It was not set up. You know, you did not have all the bureaucracy and all that. They did not like that kind of approach.

About a year or so later, they kept working on it and they came out with what they call WIN. The cost was $12,000 per recipient, instead of $2,000.

Now, that is the problem with the program, but there is not any reason why that program still cannot be redesigned to get a lot of the bureaucracy out of it and go back to the original concept of getting people together ahead of time to promise the job and others that will take the job and know exactly what the job is before it starts.

Why can you not redesign that program?

Mr. BROCK. Because not every community has you living in it. You took that program and you did it by dint of your own personal commitment. And what we have got is something that has become bureaucratized. And I am not critical of the bureaucracy. Those are

good folks out there, but in this particular case we have lost the kind of thing that you brought to them by your own personal involvement.

Mr. SMITH. Well, my personal involvement may have helped there, but I think it did not have to have me. It could have been somebody else.

Mr. BROCK. I understand that.

Mr. SMITH. But they have to ahead of time get those promises and know that they are going to be carried through on. Instead of that, we find mismatches. They take some statistics, Labor statistics, which are not very good on what kind of jobs are available, and then they train people for jobs that allegedly are available and then after they get through they find out they were not available after all.

Mr. BROCK. The national data does not mean anything in Dubuque or Chattanooga, because our communities are different. Each has its own special circumstance. And JTPA is designed by the Committee to respond to community need. And that is where I think there is a logic.

The answer to your question is I will go back and take a look. I do not have the money though. That is where we begin. But the idea of looking at some form of incentive to achieve this, I will continue, because I do not disagree.

Mr. SMITH. I just think there are jobs there that people would like to be trained for if they knew at the end of the training they would get a job.

Mr. BROCK. I think you are right about that. The problem is that we have too often disappointed people by training them for jobs that did not exist. We have got to do better than that.

PROGRAM TARGETING

Mr. SMITH. I am a little concerned about the number of times I have heard you say this morning that what you are proposing is what I would call targeting; in other words, put the money where it is most needed.

The problem I have with that goes back to another experience we had, this is back at the time of the Poverty Program.

They had allegedly 13 percent unemployment in Detroit, and in Des Moines it was 5 percent. So they made a survey, a door-to-door survey, and they found out there were more people in Iowa looking for jobs than there were in Detroit. Our statistics are not good enough to target, and they still are not good enough. They do not tell us how many people want a job. A lot of people are not even in the statistics. They know there is not an opportunity for jobs, especially women in rural Iowa. There is not any job out there and they will not show up in statistics. They do not ever say they are looking for jobs.

But, if some factory comes, as they did a few years ago, some of themcame to rural Iowa and they set up a factory and in a month's time they had 300 people who had never had a job before who were first class workers.

Mr. BROCK. I do not disagree, Congressman, but we are not proposing to do it on the basis of statistics. The best example is most

immediate, from the Speaker's State, Massachusetts, where we had that shipyard. Now, with this kind of a program, even if it was above the formula need, we could go in there and take those 6300 workers in Quincy and give them an alternative skill base. What you are doing is looking for concentrations of people who are caught in this particular circumstance.

We have come into Iowa with a program for farmers that are not going to be farming anymore, and give them an alternative skill. So what it does, it allows you to go into that kind of a situation. And we do not do it based, I do not think, on any statistical evaluation. We do it on the basis of need.

Mr. SMITH. Well, it bothers me still like, for example, in the case of Detroit where they had 13 percent unemployment. That was because everybody that wanted a job was lucky enough to have had an opportunity to have a job, and then they had some layoffs and it showed up 13 percent unemployment.

And those people who were lucky enough to have had a job, I do not think had any more right to training to get a job than people who had never been lucky enough to have a job to start with.

Mr. BROCK. Well, I am going to leave that discussion between you and Mr. Conte. But I understand what you are saying. I also want you to understand where we are coming from. We do not have enough money to spread across the country, and that is what we are doing now. We do not think that makes sense.

We do have States and communities and plants that close—the rubber plant, the tire plant down in Georgia, and another one up in Ohio, where there is a defined, particular precise need that we can address if we had discretion. It becomes very difficult when we do not.

Mr. SMITH. Well, I know when there is not enough money to go around, it is difficult to determine who gets the training. But you see the difficulty that I have.

Mr. BROCK. Yes, I do.

Mr. NATCHER. Mr. Stokes?

YOUTH SUB-MINIMUM WAGE

Mr. STOKES. Thank you, Mr. Chairman.

One of the ways that the current Administration has approached the minority unemployment situation has been to propose legislation that would enact a sub-minimum wage. This legislation has prompted a great deal of controversy.

One of the more salient arguments in opposition to the legislation is that such legislation creates a whole new class of individuals who are basically told that their work is worth less than that of the rest of society, and, therefore, they should be paid at a lower rate.

The second argument is that this legislation operates really as a disincentive to employers, in the sense that an employer realizing that he can employ the son at less than minimum wage, while he has to pay the father minimum wage, will opt to do that which is more profitable. As a result, the son displaces the father from the job.

What are your reactions to those arguments?

Mr. BROCK. I think the concerns that we discussed were those plus the concerns that you were lowering the minimum wage period and creating a precedent that would ultimately constitute an attack on the minimum wage. But that and the displacement argument were reasonable concerns for people to have. And what we tried to do in writing the legislation in consultation with Members of Congress and with other groups is to address those concerns first by limiting it to summertime employment. You then focus it on young people to help them get that first experience and break that Catch 22 that I mentioned earlier, no job, no experience; no experience, no job.

Secondly, by requiring that employers know that anybody who was at minimum wage or higher, even if they were a teenager, could not be cut, or if they were not a teenager could not be laid off to hire somebody below the minimum wage in those categories. If this requirement is not followed, the employer will be charged with a severe criminal penalty, say up to $10,000.

We attempted to deal with the displacement problem. But beyond that, I think the displacement question is answered more by common sense than by statute. If you and I are running a drycleaning shop and we want to put an additional person on in the summertime to drive a van and have more deliveries so we can get more customers, you are not going to lay off somebody who has been driving that van for a year, because he knows that Mrs. Jones is not home on Thursday mornings. He is not going to go there on Thursday morning and waste his time.

You have got to get in that van and take a new kid and drive with him for a month or two. By the time you get through spending that much time to train them, they have run out of the below minimum wage opportunity, and you have not gained anything.

It does not make sense to save 85 cents an hour to do that. What you are trying to do is not a game. What we did was to analyze the number of small businesses that might hire more people than they now have at this wage and see if that was worth it, and we came up with an estimate. I do not know whether it is right or not, but the estimate was 400,000 net new jobs, totally new jobs that do not now exist at all. Because maybe they would hire a second driver for the drycleaner or butcher or something like that.

In all candor, in some parts of this area, minimum wage jobs are going begging now. They have job vacancies across the river and we cannot get people. We are going to pay $1.50 over the minimum wage to get people to work in some of these fast food places. So that is not the kind of a place that is going to react. The kind of a place that we think will react is the small Mom and Pop community store that might be able to hire somebody they cannot afford now. If they do that and if the person acquires some talent, at the end of that three-month period at the end of the summer, they are worth minimum wage, maybe more, and you have given that young person a job that they did not have and a chance they did not have. And that was the logic of it.

I do not know. It was an honest effort. Marion Barry said it better than anybody else. He said, "Right now they don't have any jobs. Maybe it will create some more jobs and make a difference for some people."

Mr. SMITH. Will the gentleman yield?
Mr. STOKES. Certainly.

DOCUMENTATION BURDEN

Mr. SMITH. You know, three or four years ago, maybe five years ago, the Small Business Committee, I had a couple investigators go out and talk to a number of small businesses on why they did not hire people for temporary jobs. I think the most prevalent answer was the paper work.

Mr. BROCK. True.

Mr. SMITH. If you are going to hire somebody to work and if you are going to pay them over $50.00, and that is just a couple days work, you are going to have to fill out all of these papers, file with Social Security. So what we proposed was, after talking to a number of small business people, why can the employer not just give them two checks, one made out to Internal Revenue and Social Security and the other made out to him, and then at the end of the year if he does not owe money, he is going to file to get his refund. And, if he does owe money, it is going to go in. Take 10 percent out and save all this paper work. But nobody seems to like that idea either.

Mr. BROCK. I do, because I think it does make sense. I do know you are right- I have seen it. There are an awful lot of small businesses that do not want the hassle.

Mr. SMITH. Numerous ones told us that. If it just did not have that paper work. And the Social Security form is not easy to figure out. If you do not want to deduct the half that the employee gets, it is almost impossible to figure out.

Mr. BROCK. There is now, you know, a tax credit that was available if you hire somebody, but it did not work because of the paper work, and one of the reasons for the Youth Opportunity Wage was to get around the paper work.

Mr. SMITH. On top of that you have got to give them another additional sheet of paper, or you get another one from Social Security which says, "We complied with the paper work reduction statute."

Mr. BROCK. I will buy that. Let us not get on paper work. We have spent a long time on that mess. I sat on a paper work commission when I was demoted to the Senate, as the Chairman says.

Mr. SMITH. We could have more money to set up these programs if you saved the money to send out that extra sheet of paper.

Mr. BROCK. I guess I am so sick of paper.

RECEPTIVITY OF SUB-MINIMUM WAGE

Mr. STOKES. You mentioned the Targeted Jobs Tax Credit Act. That is one of the specific examples that was cited by Congressman Gus Hawkins, who we all know is a labor expert, as being a good indicia of the fact that our businesses do not utilize existing incentives for hiring minority youth or disadvantaged youth. Also, there is another exemption that permits the hiring of students at a lesser wage which has not really been effective.

Mr. BROCK. Congressman, the point, I think it is fair to note, that in those cases, the paper work burden was substantial. And if we are right in saying that the type of institution, very small Mom

and Pop businesses, are the only ones that would really run with this kind of an opportunity. So it is really a central city or small town kind of thing.

If we are right, they are the same people who will not or cannot do this paper work because they do not understand it, and it just drives them crazy. But I do not want to argue that because I do not know. You may be right and Gus may be right and I have too much respect for him to say he is not. All I ask is let us try somehow, someplace and if it does not work, I would rather drop the whole conversation. Right now we have got 49.9 percent of the Black kids in this country out of work; 24 percent of the Hispanic kids and 15 percent of the white, and all of them are crazy numbers.

Mr. STOKES. Let me just suggest something, Mr. Secretary, that you might consider. It would seem to me that you may want to ask some Black leaders to come in and sit down with you and discuss this problem, with the understanding that partisan politics would be left outside the door; and with the understanding that we have a national problem here and those who are in government and charged with the responsibility regarding this same problem have not been able to solve it. I think you might be able to get some good suggestions and ideas from them. Of course, you would have the option of what suggestions you would implement. But I would just like to suggest to you that might be an approach that you might want to take.

Mr. BROCK. That is a super idea. I am grateful to you and I will give it some serious thought and see if we can pursue it.

Mr. STOKES. Thank you. Thank you, Mr. Chairman.

MINE INSPECTIONS

Mr. NATCHER. Mr. Secretary, as you know, the General Accounting Office has pointed out that the Mine Safety and Health Administration in your Department has failed in the past to carry out the statutory minimum number of inspections at some of the surface mines.

What has been done about this, Mr. Secretary?

Mr. BROCK. Well, we have tried to change our process and procedures to meet the mandatory inspection.

Mr. Chairman, I want to express a bit of frustration on this subject, because when I talked to people in that Agency, they say that we are fully capable of meeting the statutory number of inspections, and if we do so, we are going to reduce our ability to help save miners.

This goes back, to requiring a specific number of inspections. By doing so, we so stretch our human resource pool that they do not have time to do an adequate job where they are and where there is the greatest need. What we would like to do is focus our resources where there is the greatest potential for hazard.

Mr. NATCHER. Can you do it, Mr. Secretary, without additional inspectors?

Mr. BROCK. It will be very difficult. If we are going to meet the statutory number of inspections with the present number of people,

we are going to be stretched thinner than I think I would like in terms of meeting the more important objective, which is safety.

We are going to try to do it, because we do not have any alternative. You have given us our instructions and we are going to accept your marching orders. You are going to have Dave before you next week, are you not. I think he will come to testify on MSHA.

You know the problem better than most of the Congress. You understand the circumstances coming from my kind of area. You know the situation. I wish you would talk to him about it and get your own sense of how you think we should proceed, and we would like your advice. But my judgment is that, while we will try to meet the mandatory standard, because we do not have a choice, I would be more comfortable if we had a little more flexibility to put more priority on what is I think our real objective, mine safety, not just the number of inspections.

BLACK LUNG TRUST FUND

Mr. NATCHER. You have a proposal before the Congress concerning the Black Lung Trust Fund.

Mr. BROCK. Yes, sir.

Mr. NATCHER. Tell us, if you will, please, how much does the Trust Fund owe to the general fund of the Treasury; do you have any figures on that?

Mr. BROCK. Yes, we are at $3 billion and rising.

Mr. NATCHER. The legislative proposal that you have before the Congress, does it allow the debt to be reduced anytime soon?

Mr. BROCK. It will help it because it is going the wrong way now. If we do not pass some sort of increase in funding, we are going to be in desperate shape. I think the projections were something like $23 billion in deficits.

Ms. WYRSCH. That is by 2010.

Mr. BROCK. Yes, in the next 25 years.

We are proposing this increase in the contribution because without it we are going to be in desperate shape. And, if you like, we will give you for the record, I do not know if we have got it right here, the phase-out under the, I do not have the years. Okay, we would propose to eliminate the deficit by the year 2001. That is about as slow as we think it can be done. We think we are at considerable risk right now by not taking action on the subject.

BLACK LUNG BACKLOG

Mr. NATCHER. What steps have been taken, Mr. Secretary, to substantially reduce the sizable backlog of Black Lung appeals in the Labor Department? As I recall, we had an amendment last year on the Floor. We accepted it. We thought it was necessary at the time.

Mr. BROCK. You were very helpful and we are very grateful to you. We have been using, as you know, these retired judges, and we have added under the approval that you gave us last fall, 22 positions to the Solicitor's Office, 60 positions in the Administrative Law Judge offices, and we are asking for an additional 10 in Fiscal 1987 under the Solicitor's Office and an additional 12 in the Bene-

fits Review Board. What we hope is that that will allow us to really begin to bang at this backlog.

There is no excuse for people having to wait as long as they are having to wait for the government to make a decision on their individual cases. It is just fundamentally wrong. And there is the fact that you, Senator Byrd and others, Senator Warner, were helpful last year in giving us a chance to eliminate that hopefully over the next five years.

Mr. NATCHER. Mr. Secretary, it has been a pleasure having you before our Committee. I want to thank you for your appearance. We believe that as we proceed with our hearings and on down through the years, Mr. Secretary, we will be able to work with you. We will be calling on you from time to time for your assistance. We want to thank you and, as I said in the very beginning, I think we can bring out a good bill. I think we can bring out a bill in this Subcommittee that the President will sign and one that we can operate under.

Mr. BROCK. Mr. Chairman, you do a superb job and I am grateful to you for the chance to be with you and I look forward to working with you.

Mr. NATCHER. Thank you very much.

The Committee will now adjourn until 10:00 o'clock Tuesday morning.

[The following questions were submitted to be answered for the record:]

59-364 O - 86 -- 3

GAO MANAGEMENT REPORT

Mr. Natcher: Since GAO issued its report, the Secretary has taken several steps to strengthen the role of the Secretary's Office in managing the Department, including designating the Under Secretary as the key official for management, and establishing a process--the Secretary's Management System--to define key Secretarial and agency goals and monitor and assess their implementation.

(a) Specifically, what management responsibilities have been given to the Under Secretary?

(b) How will this new management system work, and how will responsible officials be held accountable for implementing their goals?

Mr Brock: As you have indicated, I have designated Under Secretary Dennis Whitfield as the responsible official for performing day-to-day management tasks on my behalf. He has been given specific responsibilities for overseeing essential management systems, ensuring a quality work force and accountability, and monitoring and using performance data. In this context he will chair a number of key management committees, for example, those dealing with budget formulation and with information resources management. Most importantly, he is responsible for providing overall direction to the management and operation of the Secretary's Management System.

The Secretary's Management System is designed to complement current systems now in use within the Department. It is intended to be integrated with agency management systems, including those required for the development and execution of operating budgets and the development of organizational and personnel performance standards and measures. It has three basic facets:

- o First, it is a planning process. Annually I will establish broad, long-term Secretarial goals and see that these are communicated to all management levels within the Department. For this year, I have set three such goals:

  -- Improve the economic opportunity of American workers through emphasis on job opportunities; health and safety; retirement security.

  -- Increase ability of Americans to compete successfully in domestic and world markets through labor-management cooperation; education, training, and retraining; cost-effective regulations.

  -- Improve productivity, effectiveness, and creativity of DOL operations through employee motivation and involvement; intra-departmental coordination; private sector involvement.

Each of my Executive Staff is responsible for developing agency supporting goals and related milestones in futherance of these Secretarial goals, carrying out programs, and operations. The Under Secretary reviews and approves these sub-goals and milestones before they are finalized.

- o The Secretary's Management System also has a reporting mechanism. Each member of the Executive Staff will prepare quarterly progress reports covering the milestones in the agency sub-goals. These reports will flow into Under Secretary Whitfield's office where they will be analyzed. Highlights and matters requiring my personal attention will then be presented to me.

- o Finally, Mr. Whitfield and I will provide feedback each quarter to the Executive Staff covering our assessment of progress and, as appropriate, the identification of actions which should be undertaken.

Mr. Natcher: How will the Department ensure that corrective actions are taken that will adequately address the problems cited in GAO's report?

Mr. Brock: The vast majority of the actions we are taking in response to the recommendations in the GAO Management report have been incorporated into the sub-goals and milestones required by the Secretary's Management System. Thus, they will be actively tracked on a quarterly basis, with feedback provided to the Executive Staff as indicated above.

Recognizing, however, that not all of the items in the GAO report lend themselves to Secretarial scrutiny, we have asked each agency head to prepare implementation milestones separately for each GAO recommendation. These milestones have been transmitted to the GAO staff who are stationed on-site in the Department. We have also asked the agency heads to maintain documentation of actions taken in response to GAO recommendations. Finally, to pull all this together, we have arranged with GAO for its staff to conduct a follow-up review at year-end and to provide me with a "report card" on our progress.

Mr. Natcher: GAO identified several long-standing program problems--in areas such as pension enforcement, rulemaking, procurement management, and information resources management--whose underlying causes it attributed to the types of management problems it found. GAO said that greater Secretarial attention is necessary to resolve these problems.

What has the Department done to correct these situations?

Mr. Brock: Each of the long-standing problem areas GAO identified has been given special attention in the Secretary's Management System. In presenting my three broad, long-term goals to the Department's Executive Staff, I included specific

action requirements encompassed by the goal. For example:

- o In the first goal, three action areas related to pension enforcement were covered: reduce the PBGC deficit through increased premiums and structural reforms; assess the need for risk-related premiums; and revise the ERISA enforcement strategy.

- o The second goal included a number of actions dealing with rulemaking: review present rulemaking process; identify and implement recommendations to increase its efficiency and establish priorities; increase negotiated/mediated rulemaking; and identify and implement reductions in compliance burdens presented by existing regulations.

- o The third goal included the following: enhance the effectiveness of the procurement system; and improve the management of information resources.

Thus, in addition to the action plan prepared directly in response to the GAO Management Report, there are now agency sub-goals and milestones in the Secretary's Management System that address these key issues. Progress will be closely tracked on a quarterly basis and feedback provided to the agencies to insure appropriate action being taken. Although the first quarterly reports have not been required yet, from the informal and anecdotal information that Under Secretary Whitfield and I have already received, I can guarantee you that the Department has already made very significant progress in each of these areas of long-standing concern.

Mr. Natcher: GAO's study showed that program managers largely perceived the IG's audits to be of only limited use to them in identifying and resolving problems. The Department indicated steps were being taken to involve program managers more directly in the audit process.

Can the Department see any improvements at this time?

Mr. Brock: I believe we can. The Department's Inspector General responded immediately to the draft materials developed by GAO by working with mid-level and high-level managers to improve perceptions of the usefulness of audits to program operations. Program managers have been more directly involved in the audit process, and joint work groups have been established to develop audit plans as well as to develop corrective actions. Specific actions taken by the Inspector General's Office to improve program managers' perceptions regarding the usefulness of audits, reviews and evaluations included:

- o More directly involving agency managers in the audit process. The Departmental policy directive on audits and investigations was revised July 3, 1985. The revised directive provides for close coordination between the OIG and agency managers throughout the audit process--from

developing preliminary audit plans through briefing agency managers on the results of OIG's reviews and recommended corrective actions.

- o Participating in agency work groups to correct audit-identified problems and improve program operations and internal controls. As noted in the OIG's semiannual reports, the OIG is providing direct assistance to agency managers through participation on joint agency/OIG task forces to correct audit-identified problems and improve program operations.

- o The use of joint DOL and OIG management task forces to address specific problems or challenges. For example, a comprehensive quality control program in Unemployment Insurance was developed through the joint efforts of the Benefit Payment Control Oversight Committee. Also, the closeout of the CETA program was a joint effort which identified $225.4 million in exceptions requiring closeout action including $65.7 million in residual cash balances identified for immediate recovery. In addition, the Deputy Under Secretary for Employment Standards has established a small high-level joint task force to develop corrective action plans for implementing the recommendations contained in a recent audit report on the Office of Federal Contract Compliance Programs.

In conclusion, OIG's continuing involvement of program managers early in the audit process and after the issuance of audit reports should enable the OIG to effectively address agency management's perceptions of the usefulness of audits in identifying and resolving problems.

Mr. Natcher: GAO pointed out that despite major policy shifts over the last five years, the Department has reduced its emphasis on program evaluations at the Secretarial level.

(a) Has this area received renewed attention?

(b) What role does the Department see for program evaluations in the future?

Mr. Brock: Yes, it has. The third goal in the Secretary's Management System includes a specific action requirement to "institute a credible and useful evaluation process". There are also several milestones directly related to the recommendation in this area of the GAO Management Report; completion of these milestones will lead to establishment of a new evaluation process this fall that meets the Department's current needs.

Mr. Natcher: What has the Department done to better identify and plan for its staffing needs and manage the staffing process to ensure minimal disruptions to operations in the future?

Mr. Brock: As you know, there is a large section of the GAO Management Report that contains recommendations on staffing and

employment. The third goal in the Secretary's Management System forcuses very heavily on workforce planning. The action plans we have developed in both contexts will go a long way toward eliminating the disruptions that reductions-in-force have caused in prior years. We will, for example, be issuing new workforce planning policies, developing new planning and analytical tools, preparing agency-specific workforce management plans, monitoring their implementation, establishing appropriate standards for filling of vacancies, and developing strategies for addressing problem staffing areas. I would expect these measures to minimize disruptions under normal circumstances, or even under moderate constraints.

Mr. Natcher: GAO's report and other recent studies have commented on Labor's need for a systematic effort to measure and improve productivity. In commenting on GAO's report, the Department said that actions were being taken to achieve GAO's objectives within the Department's existing management process.

Are these efforts being tied to the Secretary's Management System?

Mr. Brock: Yes, they certainly are. As noted above, the third goal I have established contains an explicit reference to productivity. The Assistant Secretary for Administration and Management has developed a sub-goal in support of this Secretarial goal that calls for development and implementation this fiscal year of a Departmental productivity improvement program that is integrated with the President's program.

QUALITY CONTROL PROGRAM

Mr. Natcher: What is the current status of the Unemployment Insurance Quality Control (QC) program that you have had under consideration?

Mr. Brock: The Department launched and completed a public review of the Quality Control program this fall. A number of technical changes were made as a result of the review. As a result, States will begin to implement the modified QC program in 1986.

A Roundtable group has been established consisting of representatives of business, organized labor and States to assist the Department in implementation of the QC program and to ensure that consultation on the design is continued.

OPINION OF THE EMPLOYMENT SERVICE

Mr. Natcher: What is your general opinion of the State Employment Service? Is it functioning well in most States?

Mr. Brock: With enactment of the Job Training Partnership Act Amendments to the Wagner-Peyser Act, the Department implemented the new provisions and revised regulations to remove reporting burdens and administrative restrictions on the employment service. These changes have enhanced the States' ability to tailor services to local need. The system appears to be functioning more positively as a result of these changes.

The Department plans to undertake an in depth review of the labor exchange system. The employer and applicant community will be involved to determine the short and long term needs of employers and workers, and the role of the Employment Service in meeting these needs.

GRAMM-RUDMAN REDUCTION RESTORATION

Mr. Natcher: Why did you not restore the 1986 Gramm-Rudman reduction for the Employment Service in the 1987 budget?

Mr. Brock: The Wagner-Peyser Amendments of 1982 provided the States total flexibility in the use and management of their resources. States are now able to redirect resources to activities which most benefit the job seeker and employer. The resulting efficiencies and management improvements will allow States to operate within the 1987 requested level without any adverse program effect. The restoration of the 1986 Gramm-Rudman reduction is not required.

DEPARTMENTAL STAFFING

Mr. Natcher: Do you have any actual staffing increases in the budget over the original 1986 appropriation level?

Mr. Brock: Yes. We have 5 staffing increases over the original 1986 appropriation. They are as follows:

1. 10 FTE in the Employment Standards Administration to implement the Surpreme Court decision in the Garcia case, extending FLSA coverage to most employees of State and local government;

2. 46 FTE in the Bureau of Labor Statistics for the expansion of the Professional, Administrative, Technical and Clerical pay survey;

3. 30 FTE for the Office of the Solicitor (SOL) to permit SOL representation at an increasing number of Longshore hearings;

4. 10 FTE for SOL to handle increased Adjudication Black Lung case dispositions.

5. 12 FTE to allow the Benefits Review Board to handle additional Black Lung case appeals generated as a result of increased Office of the Administrative Law Judges dispositions.

Mr. Natcher: Are there any areas in the Department where you are concerned about a shortage of staff?

Mr. Brock: No. I feel that our staffing request of 18,515 FTE for FY 1987 is adequate. This will allow the Department to maintain worker protection and labor standards programs in 1987 at or above 1985 levels.

WORK INCENTIVES PROGRAM

Mr. Conte: Going to another training program, which isn't funded in the Labor Department, but which is administered by the Department, there has been a lot of attention focused lately on the Massachusetts Demonstration Program, which has been credited with moving 23,000 welfare recipients into the workforce in 2 years. First of all, what do you think of the Massachusetts program?

Mr. Brock: The Massachusetts Employment and Training Choices program (ET) began in October 1983. Based on the information available to me, I understand the program has assisted 23,000 people in finding jobs, 86% of whom are still employed one year later. I am not aware how many of these placements are above those that would have occurred in the absence of the program. If all of these placements are net of the natural turnover that would have occurred in the absence of the program, this would be quite commendable, as I'm sure you'll agree.

Mr. Conte: Second, are there any other state programs that you are aware of that could also be pointed to as successes?

Mr. Brock: A number of other States have been extremely creative in the design of programs which have reduced welfare dependency. Many of these used WIN Demonstration and other Federal program funds as well as other resources available, including State and local funds appropriated specifically for these purposes.

During the past 3-4 years 39 States have adopted one or more work participation options. At the same time a number of research projects have been conducted to measure the effectiveness of Community Work Experience (CWEP) and Job Search in achieving job placements. Each one of these projects is different, combining varying mixtures of job search, work experiences, and support activity for welfare applicants and/or recipients. Some are statewide, some are limited to a few counties. Many of these projects used control groups -- the research approach which enables program managers to best judge what the program achieved versus what would have happened independent of the program activity.

Results from this wide variety of experimental projects assessed by the Manpower Demonstration Research Corporation (MDRC) in 11 sites are still largely preliminary and, as MDRC itself states, cannot be generalized to the rest of the country. Nevertheless, the preliminary results on a site-by-site basis seem to be encouraging. To date the MDRC studies suggest that, in general, work participation programs can be implemented effectively and good work experience provided which result in income gains and reductions in welfare dependency over what would have occurred in the absence of the program.

-- In San Diego, AFDC applicants in the group engaging in job search followed by work experience showed statistically signif ant differences from the control group during the year after participation for percent employed (+5.6% were employed,

a 10% increase over the controls), average earnings (+$700, a 23% gain), and average annual AFDC payment (-$288, an 8% decline).

-- In Arkansas, which ran a work experience program similar to CWEP, 4.8% more of the experimentals were employed during the 3 quarters of post-program assessment (an employment rate increase of 34%), average earnings increased $78 (a 36% increase), and average annual AFDC payments dropped by $93 (11%).

-- In Washington State, participants in employment search and CWEP activities found jobs at twice the rate of non-participants.

We are also aware that other States not assessed by MDRC appear to have benefitted from the flexibility granted under the recent changes in the AFDC programs. For example, Pennsylvania has been operating a program centered on job search and work experience. In FY 1985, the State reported that more than 34,000 welfare recipients found jobs, a rate several times higher than reported in prior years under the conventional WIN program.

Mr. Conte: What I kind of wonder about is whether there isn't a way to provide funds to those States that are doing a good job with this program, without having to support States which might have a more mediocre record of the type that seems to be the reason why this program is proposed for termination every year?

Mr. Brock: The Work Incentive Program (WIN), title IVC of the Social Security Act, requires in Section 432 that a work incentive program be established in each State. Therefore, under current legislation it is not possible to provide funds only to better performing States.

SUMMER YOUTH EMPLOYMENT AND TRAINING PROGRAM

Mr. Conte: While we're taking a look at proposed contractions on training programs, the proposal for summer youth is to rescind $208 million from the $664 million appropriated for FY 1986, already a reduction over previous years, reducing the number of youths served from 785,000 to around 450,000, and then to stay at that level in FY 1987. Yet teenage unemployment remains a colossal problem. You have also proposed to override the distribution formula in order to have the opportunity to allocate the funds to where they are needed. Is this budget saying that there are two problems with the current summer youth program--maldistribution and too much money? Even if somehow this committee were able to change formulas, better distribution of a lot less money doesn't really let you address in any more meaningful way the teenage unemployment problem, does it?

Mr. Brock: The Department believes that the basic problem is one of maldistribution of funds. However, it is evident from the recent history of the Summer Youth Employment and Training Program that there is also more funding available in some areas than has been effectively utilized. Recognizing these two situations along with the fact that measures also must be taken to address the Federal deficit, the Department believes that the improved targeting of fewer funds will be a positive step.

These funds will be directed to areas suffering the greatest youth employment problems and, most likely, those with minority youth unemployment problems. This approach would better serve those youth most in need of the services provided by the Summer Youth Program.

Mr. Conte: With regard to the formula, is there a reason why this proposal, or any other one to change the allocation formula, hasn't been taken to the authorizing committees? Do you know whether they'd object to our redesigning of this part of the Job Training Partnership Act?

Mr. Brock: It is the Department's intent to discuss this issue with the authorizing committees. The Department believes that should this change be accepted on a long-term basis, it would be necessary and appropriate to address it by permanently changing the relevant language in the Act. The Department believes it would be inappropriate to speculate on the position of the authorizing committees with respect to this issue.

VOCATIONAL EDUCATION/JOB TRAINING

Mr. Conte: While we're still talking about youth, I know there have been some proposals, and even some hearings, about the notion of coordinating and even combining job training and vocational education programs. How does that idea strike you, and what kind of administrative structure do you think would best handle it?

Mr. Brock: We favor better coordination of job training and vocational education. One of my goals for the Department of Labor is to improve the productivity, effectiveness and creativity of the Department's operations through interagency program coordination. To that end, the ETA is undertaking a number of specific coordination initiatives with the Department of Education and other agencies. In addition, the Department will be establishing an interagency committee on youth which will seek to marshall the resources of the Federal government to address the critical problems of youth unemployment and underemployment. We would prefer, at this stage, to pursue such administrative initiatives before considering whether there is a need for a more formal administrative structure to combine job training and vocational education programs.

JOB CORPS REDUCTIONS

Mr. Conte: Mr. Secretary, I have to tell you that in terms of taxpayer dollars, I don't think we're going to save anything by cutting the Job Corps program. There's no argument that the program is expensive, but that's the way it has to be when you give kids who have had no breaks and no skills the kind of living conditions and job training that makes them productive, taxpaying Americans. Let me ask you, don't you think that this Subcommittee should look at the wide range of other costs: welfare and unemployment costs, prison costs, and the general cost of crime in this country, before we accept the kind of drastic reductions you have proposed for the Job Corps in the budget?

Mr. Brock: I don't think it is entirely appropriate to compare the cost of Job Corps to welfare and unemployment costs, nor to the costs of incarceration or the general cost of crime. Job Corps is not an alternative to incarceration or to public assistance programs. The purpose of Job Corps is to assist disadvantaged youth, through an intensive program of services, to become more employable and productive citizens. For this reason, I believe that the best comparison of Job Corps costs is with alternative education and training opportunities such as educational institutions or other available federally subsidized training programs, including those available under JTPA. When making this type of comparison, Job Corps is clearly the most expensive training and employment program operated by the Department of Labor.

I agree that the Job Corps has had success in serving many of the disadvantaged youth it enrolls. However, the need for fiscal constraints in light of the current deficit continues to raise concerns over the high cost of the program. Our goal is to use the

best of the Job Corps program along with other programs in developing an improved strategy to address the youth unemployment problem in the most cost effective manner possible.

Mr. Conte: It speaks well of your influence downtown that this year's budget doesn't propose total elimination again of Job Corps. Do we have your assurance that no disruptions, or discouraging of potential participants will take place before Congress acts on your rescission request?

Mr. Brock: I assure you that I will take no action to discourage or stop enrollments in the Job Corps program nor to close any Job Corps centers until Congress has acted on the rescission request.

FAIR LABOR STANDARDS ACT

Mr. Conte: Last year, there was an extensive debate over the application of the Fair Labor Standards Act to States and localities, culminating, with a good deal of the credit going to my colleague, John Porter, in the passage of S. 1570. Has that issue now been fully resolved, and what is the role of the Department of Labor with regard to States and localities and the Fair Labor Standards Act (FLSA)?

Mr. Brock: The 1985 Amendments to the FLSA addressed many of the concerns of State and local governments and their employees on the impact of the FLSA on public agencies. The Amendments become effective on April 15, 1986 and require the Department to issue implementing regulations. To that end, the Department has been meeting informally with representatives of public agency employers and employee representatives to get their views on issues to be covered in the regulations. We believe that this will expedite finalization of the new rules.

The Department has also implemented an extensive program of providing technical assistance to State and local governments on the requirements of the FLSA. For example, over 83,000 public agencies are being mailed a fact sheet on the provisions of the new law. In addition, we have offered to provide each State with an experienced member of the Wage and Hour staff for a 30-day training assignment under the Intergovernmental Personnel Act.

AFFIRMATIVE ACTION

Mr. Conte: The idea of revamping if not revoking the Executive Order dealing with the affirmative action program administered by the Office of Federal Contract Compliance Programs in the Employment Standards Administration has been much in the news. To bring us up to date on where the current debate is, and not to try to put you on the spot, Mr. Secretary, could you give us a description of how the current program works, and what some of the proposals for changing the program are?

Mr. Brock: The Office of Federal Contract Compliance Programs (OFCCP) administers the Executive Order 11246 program, as well as the compliance programs under Section 503 of the Rehabilitation Act of 1973 and 38 U.S.C. 2012, the Vietnam Era Veterans Readjustment Assistance Act.

Nonconstruction contractors with a contract of $50,000 or more and 50 or more employees are required to develop and maintain an affirmative action program which includes a self-analysis of the contractor's work force. Currently, the regulations require a contractor to establish its own affirmative action goals for minorities and/or women in any "major" job group where it is employing fewer minorities or women than might be reasonably expected by their availability. These goals are numerical objectives that a contractor is required to make every good faith effort to achieve, through such actions as recruitment and outreach.

Construction contractors are required to make every good faith effort to try to achieve the OFCCP established affirmative action goals. In both nonconstruction and construction programs, the contractor's compliance is not based on the contractor's achievement of any goal, but on its good faith efforts.

Through an established selection process, contractors are routinely selected for a compliance review to determine if the contractor maintains nondiscriminatory employment practices and is taking affirmative action. OFCCP also investigates complaints alleging discriminatory employment practices by Federal contractors. Where violations and/or deficiencies are found, OFCCP attempts to secure compliance through conciliation and persuasion. OFCCP has authority to effect contractor compliance through remedial action agreements or through administrative enforcement.

Since the Executive Order is still under Cabinet level review, I believe it would be inappropriate to discuss proposals for changing the program at this time.

MINIMUM WAGE

Mr. Conte: I know you have been advocating the youth opportunity minimum wage as a way to create job opportunities for teenagers. One of the problems that the proposal has encountered is the idea of lowering wages. On the other hand, it's been several years, since 1980 or 1981 since the minimum wage has been raised. And some states, like my own, have been taking steps to raise the minimum wage within their borders. Do you think it is time to raise the minimum wage (and in so doing, maybe you could carve out a niche for teenagers)?

Mr. Brock: We believe that an increase in the minimum wage will exacerbate the unemployment rate with respect to teenagers and minorities. In view of the continuing pockets of unemployment in certain areas of the United States and among some demographic groups and the economic growth in the country, we do not believe that this is an opportune time to raise the minimum wage. With the overall unemployment rate at 6.7 percent and the black teenager rate at 41.9 percent, we must broaden the job opportunities for these potential workers. One of the initiatives we feel is essential to reducing unemployment is the enactment of the Youth Employment Opportunity Wage bill which would ensure the maximum opportunity for the group having the most difficult problems in obtaining employment, the teenager.

PENSION RESPONSIBILITIES

Mr. Conte: One of the largest and growing concentrations of funds in our economy is in pension funds. In addition, as we continue to scrutinize the tax code with regard to pension contributions and retirement accounts, and perhaps even begin to try to figure out how pensions ought to be brought into a coherent picture with social security, the importance of this area cannot be underestimated. I know you've been interested in this area, Mr. Secretary. Would you describe any of the things you might be doing to try to get a better handle on the pension responsibilities that the Department has?

Mr. Brock: Clearly, the administration and enforcement of Title I of ERISA is one of the Department's most important responsibilities. The Nation's private pension and welfare benefit system is a critical element in providing for the retirement income security of American workers and retirees. These plans also have a tremendous impact on the national economy, including our capital markets and our tax system.

The Department of Labor has a two-fold role to play in relation to private pension plans. First, we must do our best to fulfill the mandate given to the Secretary of Labor under ERISA. This includes enforcing the fiduciary and reporting and disclosure standards established by ERISA. In discharging this responsibilty, we are fully committed to protecting the benefit security of American workers and retirees while providing reasonable flexibility to allow plans to maximize their investment opportunities and related investment returns. Second, we have a critical role to play in the area of national retirement income. In this respect it is essential that, when addressing rights relating to private pension and welfare plans, we balance the social, economic and fiscal factors if we expect to have a stable and successful private system.

I fully intend to pursue our responsibilities on both of these fronts. In fact, I have already taken several steps to address this important area. I have made the issue of Retirement Security one of my top priorities as Secretary of Labor. The agency head position for the pension program has been elevated to the position of an Assistant Secretary, and that position as well as the Deputy Assistant Secretary have been filled with extremely high caliber individuals. The pension program has been recently elevated in status to become the Pension and Welfare Benefits Administration. Finally, the President's FY 1987 budget, which is my first as Secretary of Labor, provides for an approximate 16% increase in resources for this important program over the FY 1986 appropriated level.

I hope these actions have made it clear that I am keenly aware of the importance of our pension-related responsibilities. I will continue to work with officials both within and outside the Department to further our goals in this important area.

MERGER OF THE PRESIDENT'S COMMITTEE WITH THE NATIONAL COUNCIL

Mr. Conte: Last year, the Senate wanted to terminate the President's Committee on Employment of the Handicapped, and to fold all its operations into the much smaller National Council on the Handicapped. We kept the funding in conference, but I'm sure the same issue will arise again. I see in the budget you have increased funding from $2.1 million appropriated in FY 1986 to a request for $2.4 million. Why is the PCEH a good thing, and why do you think we should not only keep funding it, but provide an increase in funding?

Mr. Brock: The President's Committee on Employment of the Handicapped is a good thing. It is the only agency in the Federal government that focuses solely on the employment needs of the Nations's individuals with disabilities. The Committee represents the national commitment and commands the national attention need to address those needs.

In spite of all previous efforts, including those of the President's Committee and of the Congress, which passed affirmative action, non-discrimination legislation, the 1980 Census and the 1981 and 1982 Current Population Surveys revealed that the number of persons with disabilities who do not participate in the labor force is alarmingly high. One of the major reasons for this fact is that during the decade of the 70's, the rate of severe disabilities increased by 71.4%. Some progress has been made. Those same surveys indicated that people with disabilities who are employed, earn basically the same salaries as to non-disabled people in the same or similar jobs. This progress is not enough, however, as the majority of persons with disabilities do not have work or the economic independence that can result from employment. Without a doubt, a major national effort to improve the employment status of the country's citizens with disabilities must continue.

The President's Committee has established a unique position which qualifies its to provide the energy and the leadership to spearhead the Nation's drive to increase employment opportunities for people with disabilities. The majority of jobs (4 out of 5) in this country are in the provate sector. The power of the President's Committee's leadership is derived form the Committee's nationwide network of 600 private sector volunteers. Because of the prestige associated with the name of the President, and, just as importantly, because the Committee does not have monitoring or regulatory authority, it has been able to attract as volunteer members, nationally recognized experts from all disciplines involved with disabiltity. The Committee's membership is composed of individuals with disabilities and organizations operated by and for persons with disabilities (16%); employers (15%0; educators, physicians, and other service providers (20%); labor and union personnel (8%); Governors' Committees personnel (10%); and other individuals and organizations involved in disability issues (31%).

The President's Committee and its volunteer members believe that a real increase in employment opportunities for people with disabilities will become a reality only when employers, and those who prepare people for employment, recognize and accept the abilities and employment potential of individuals with disabilities. Certainly, legislation guaranteeing equal employment opportunities is essential, but the key ingredient to a significant increase in acceptance of people with disabilities is an informed and enlightened public.

President's Committee members carry the message of the employment potential of people with disabilities to all parts of the country and to all segments of society. During the last year alone, Committee members contributed over six and one-half million dollars in in-kind services to increase awareness of the abilities of people with disabilities and to promote equal employment opportunity. They have achieved some amazing results.

There is much more work to be done, however. The President's Committee and it's members are ready and are anxious to do it. To insure that the employment status of persons with disabilities continues to be addressed by an established and effective govenrment agency and its private sector volunteer members, the Congress should continue to fund the President's Committee on Employment of the Handicapped.

The Committee's budget for FY 1987 reflects increases and a decrease in basic operational costs. The breakdown of those are follows:

Personnel costs including net cost of with-in grade promotions effective in 1986, and increased cost of personnel benefits.....	+$24,000
Nonpersonnel costs including increased cost of travel, transportation, space rental, communications, and other utilities, printing, miscellaneous contracts, administrative support services, supplies and equipment.....	+$28,000
Additional funds for rental of office space.....	+$60,000
Adjustment in the average cost per FTE to bring up to appropriate level.....	+$178,000
Restoration of 3 FTE which was sequestered in FY 1986 under P.L. 99-177 (Gramm-Rudman).....	+$92,000
	$382,000
Reduction in administrative support services, i.e., Working Capital Fund (WCF).....	- 18,000
Total.....	+$364,000

GAO MANAGEMENT REPORT

Mr. Conte: As you are aware, the General Accounting Office did a mammoth study of management at the Department of Labor and came out with a 194 page report last October (which was initiated prior to your taking over) entitled "Strong Leadership Needed to Improve Management at the Department of Labor." What do you view as the most cogent recommenda- tions made by the GAO, and what steps have you taken to respond to their concerns?

Mr. Brock: There are a total of 49 major recommendations in the GAO Management Report, many of which have sub-parts which raise the total still farther. Of these, there were only two in which the Department had any substantive disagreement with GAO, both of which related to the application of the Federal Managers' Financial Integrity Act to Federally-funded, State-run operations. In every other case, we agreed with GAO and initiated corrective actions even before its report was finalized. We now have action plans in every area and are tracking our progress in making the needed improvements.

Many of the GAO recommendations address technical administrative areas such as procurement and finance. Others focus on technical aspects of our program operations such as enforcement and grant administration. While I do not wish to detract from the significance of any of these subjects, the area of primary concern to me personally was GAO's identification of a need for more Secretarial direction and control. To improve Departmental performance in this regard, I designated Under Secretary Whitfield as the responsible official for performing day-to-day management tasks on my behalf. I also established the Secretary's Management System in order to provide for improved planning, progress reporting, and feedback to agency officials to assure appropriate actions being taken. This system, managed by the Under Secretary, will enable me to provide the needed policy leadership, direction and control that GAO felt was missing.

Finally, there is another set of GAO recommendations of special interest to me, namely, those dealing with workforce management. I believe very strongly that the Department can only accomplish its mission if it has a competent, efficient and productive workforce. To retain such a staff requires active management at all levels in the Department. One of the three broad, long-term goals I have established focuses on the workforce, and we now have a comprehensive action plan that should help us achieve that objective to the extent it is controllable internally.

ILLNESS AND INJURY STATISTICS

Mr. Conte: With respect to occupational safety and health, the Bureau of Labor Statistics reported an 11.7% increase in work related injuries and illnesses in 1984. What does this mean with respect to the policies of OSHA, and what needs to be done to turn this around?

Mr. Brock: While this one year rise in workplace injury statistics is clearly a cause for concern, it is the first rise in the accident rate since 1979 and in the long-term trend since 1972 when there were 10.9 injuries or illnesses per 100 workers. In 1984, the rate was 8.0 which represents a 25 percent decline in 12 years. Also although work injuries rose by 11.5 percent between 1983-1984, the rate of injuries rose only 4 percent while private sector employment increased by 5.7 percent.

Nevertheless, the one year rise has caused a reexamination of OSHA's enforcement programs, and OSHA has initiated changes in its targeting systems in an effort to have more presence in certain economic sectors. Beginning this January, OSHA began targeting all manufacturing firms instead of just those firms in high-hazard industries. The agency also began targeting some firms outside of manufacturing, and modified its record review policies somewhat. OSHA will be carefully evaluating the effects of these policy changes.

Finally, a note of caution is appropriate. Although studies have shown OSHA presence at the worksite does make a difference in reducing injuries, it is also clear that external factors, such as the economic climate, the level of productivity, and the age of the workforce, heavily influence injury rates.

OSHA ADMINISTRATOR

Mr. Conte: What is the status of the current search for an Administrator of OSHA, and how long has that job been vacant?

Mr. Brock: The previous OSHA Assistant Secretary Robert A. Rowland, resigned effective July 1, 1985. A candidate has been selected to fill the position. This name will be submitted to the Senate for confirmation in the very near future, perhaps within the next week.

BLACK LUNG DISABILITY BENEFITS

Mr. Conte: Mr. Secretary, a number of us, myself included, are very glad that you have taken such a strong interest in straightening out the Black Lung program. The American taxpayers have been loaning money to pay the industry's bills for far too long with this program. One thing you have done is to seek an increase in the coal tax to help get the trust funds out of debt. Can you tell me what appropriation the Department is requesting for the program in FY 1987, and how will that request change if we get the reconciliation bill passed with a coal tax increase in it?

Mr. Brock: The Department is requesting $959,445,000 for the program in FY 1987. Included in that amount is $353 million for the payment of interest on past advances from the U.S. Treasury to the Black Lung Disability Trust Fund. Unlike the House version of the Reconciliation Bill, which included a temporary 50 percent increase in the excise tax on coal, the December 19, 1985 Conference Report on the Reconciliation Bill combined a 10 percent increase in the tax with a five year forgiveness on all interest charges accruing on the Trust Fund deficit. The Administration has repeatedly made clear that this interest forgiveness provision, which would result in the forgiveness of more than $2 billion in interest charges over the planned five year period, is not an acceptable solution to the problem of the Trust Fund's indebtedness.

Mr. Conte: You know, of course, that we passed an increase back in 1981 and supposedly that was going to take care of this problem. Instead the situation only got worse. Do you really think that with this proposed increase we can get the trust funds back on a self-financing basis?

Mr. Brock: We believe that the tax increase proposed by the Administration in 1985 - and which we plan to pursue again this year - will result in the repayment of the Trust Fund's indebtedness. However, as then Deputy Under Secretary Collyer, speaking on behalf of the Department, made clear prior to passage of the 1981 Amendments, long range projections are dependent upon many variables. The estimates used in 1981 were the best then available to us and were concurred in by representatives of the affected industries. Based on the best and most recent estimates from the Energy Information Agency on future coal production; from the Treasury Department on future excise tax receipts; and from the Office of Management and Budget on future benefit rates and general economic conditions, we believe that if the Administration's request for an increase in the excise tax on coal is enacted with an effective date of January 1, 1987, the Trust Fund would cease borrowing from the Treasury in FY 1992 and would complete repayment of the Trust Fund's accumulated indebtedness in FY 2001.

ADJUDICATION OF BLACK LUNG CASES

Mr. Conte: I have often wondered if there was any motivation around here to clean up this program, so I'm pleased to see you working so hard on it. As you know, the other problem with the program has been the long delay in deciding disability cases. Last year when we brought this bill to the floor we added money, at your request, to beef-up the number of judges hearing cases. How have your efforts to clear-up the backlog been affected by Gramm-Rudman cuts on the program's administration, and are you requesting any special additional funds in FY 1987?

Mr. Brock: As a result of delayed passage of the FY 1986 appropriation and other problems encountered with filling the additional positions authorized, the Office of Administrative Law Judges will produce 450 fewer Black Lung dispositions than originally planned. Had the appropriations bill been passed at the beginning of the fiscal year, Gramm-Rudman-Hollings legislation, requiring reduced staffing levels, would have had the effect of reducing production by 450 cases. The Benefits Review Board will produce up to 300 fewer dispositions as a result of Gramm-Rudman-Hollings legislation. The Office of the Solicitor will reduce its Black Lung program commensurate with Adjudicatory workload.

The FY 1987 request increases ALJ resources above the 1986 level to process an additional 450 Black Lung cases. Also includes 12 additional support staff for the Benefits Review Board and 10 additional staff for the Office of the Solicitor to handle additional appeals generated as a result of increases in Black Lung dispositions of the Office of Administrative Law Judges.

UNEMPLOYMENT EXTENDED BENEFITS

Mr. Conte: Mr. Secretary, there are several areas in my District suffering very high unemployment while in general the entire State ranks well nationally. One of the programs that has helped in the past is the Federal Supplemental Compensation (FSC) program. Unfortunately, that program expired last year and practically no State can qualify under the Extended Benefits program. Do you think the Administration would support creation of a new extended benefits-type program to help out areas like mine with above-average unemployment rates?

Mr. Brock: In light of the improving national economy and the spending disciplines placed upon the Federal Government in order to lower the deficit, it is very unlikely that the Administration would support such a measure. The Federal Supplemental Compensation program was approved during a period of extremely high unemployment nationally.

Mr. Conte: You know, I have introduced legislation that would establish this kind of program, and part of that bill would establish sub-state entitlement to extended unemployment benefits. Do you think this is a reasonable approach for dealing with the pockets of high unemployment around the Nation?

Mr. Brock: The continuation of these pockets of unemployment in a period of economic recovery indicates that an extension of unemployment benefits is not the solution. The Job Training Partnership Act (JTPA) provides a more positive approach. Effective use of this authority, stimulated by prudence in Federal expenditures, offers a better promise for meeting this problem than a proposal that is costly and which analysis has indicated would be inequitable and which would be difficult to administer.

YOUTH EMPLOYMENT OPPORTUNITY WAGE/TARGETED JOBS TAX CREDIT

Mr. Conte: To encourage employment of our country's teenagers and young adults, you have proposed a youth subminimum wage. But we already have a Targeted Jobs Tax Credit which aims to do the same thing--employers can take a credit for the first $6,000 in wages they pay certain targeted groups. Don't you think having both these programs would be duplicative, and that we should simply add youths to the credit as a targeted group?

Mr. Brock: The authorization for the Targeted Jobs Tax Credit (TJTC) expired on December 31, 1985. No extension of TJTC is proposed by the Administration, since the program was designed to create jobs during periods of higher unemployment than are now being experienced. It has not, in fact, been demonstrated that TJTC created significant numbers of jobs. TJTC also resulted in a considerable loss of tax revenue and entailed administrative costs as well. The Youth Employment Opportunity Wage (YEOW), on the other hand, will benefit youth without the loss of tax dollars.

Mr. Conte: One of the complaints I hear a lot about the Targeted Jobs Tax Credit is that there is no guarantee that employers won't hire targeted individuals for one year just to take advantage of the credit, only to let them go later. Do you think this is a legitimate problem, and are there any ways of preventing this kind of behavior?

Mr. Brock: Program experience and findings from evaluation studies of TJTC indicate that the turnover rates among those hired under the program are not significantly different from other comparable workers.

Mr. Conte: Another complaint about the tax credit is that it encourages employers to get rid of current employees and hire targeted groups just so they can get the credit. The same argument could be made against the Youth Subminimum Wage--employers would fire older workers just to hire the younger ones. Do you see this as a problem with your proposal or with the current tax credit?

Mr. Brock: The YEOW would prohibit employers from substituting youth for current employees. Employers who discharge, transfer or demote workers for the purpose of employing eligible youth would be subject to various legal remedies and sanctions, including a $10,000 fine, 6 months in prison, and payment of back wages. There are no similar restrictions in the Targeted Jobs Tax Credit, but our program experience and evaluation findings do not indicate that substitution of younger workers for older ones has been a problem.

Mr. Conte: Do you think that there are other groups of disadvantaged individuals that should be added to the targeted tax credit, and do you support extension of the credit, which technically expired in December last year?

Mr. Brock: The Administration opposes extension of the Targeted Jobs Tax Credit, which expired on December 31, 1985.

JTPA POSTPROGRAM DATA COLLECTION

Mr. Obey: Recently, the Department of Labor promulgated preliminary regulations to establish a follow-up program for JTPA participants. The Wisconsin Department of Industry, Labor and Human Relations have informed me that there is no provision of funding for a very expensive follow-up program. Further, they tell me that the follow-up program proposed is four times as expensive as it would have to be to achieve the same information. I have attached the letter that I received from the State of Wisconsin. The issue most important to me is whether you intend to increase the regulatory burden on the State of Wisconsin without providing funds to pay for these increased costs. I also want to know why more cost efficient systems cannot be used to follow-up program participants.

Mr. Brock: The Department has published for comment procedures that could be used to initiate the collection of postprogram data so that the Department can issue performance standards in Program Year 1988 for JTPA titles II-A and III. The Department has very thoroughly considered this action in terms of the burden on State and local program operators. The Department has had extensive consultation with officials from all levels of the JTPA system, which included research and consultation on which data collection procedure would be most cost efficient and yet provide valid and nationally consistent information. On average, the Department expects the cost for a service delivery area (SDA) not to exceed $5,000-$8,000 per year, which we do not consider to be an excessive burden. States and SDAs can use their administrative funds to support this cost. It is the judgment of the Department that States and SDAs cooperatively can work out the most suitable arrangement for their particular situation using the preceding or other sources which can be tapped for postprogram data collection.

State of Wisconsin \ Department of Industry, Labor and Human Relations

Employment and Training Policy Division

201 E. Washington Avenue
P.O. Box 7972
Madison, Wisconsin 53707

February 12, 1986

FEB 18

FEB 19 1986

Representative David Obey
United States House of Representatives
Rayburn House Office Building
Washington, DC 20515

Dear Representative Obey:

State policymakers in Madison are already assessing the impact of expected federal funding cuts over the next few years in Wisconsin's employment and training programs. We recognize that a reassessment of our programs is in order in light of the need to reduce the federal deficit. Within this context, however, I was amazed to review recent federal regulations proposed by the Department of Labor for the Job Training Partnership Act program. The Department, which has provided modest guidance at best to states over the last few years, has chosen this time to mandate strict specifications for the development of a very costly JTPA client follow-up system.

I support the development of a follow-up evaluation capacity for JTPA programs; we have already begun that effort in Wisconsin. We have calculated, however, that meeting the DOL specifications would cost four times more than the system we have designed, yet would be no more reliable and would also be less useful to local program managers. The attached letter details our specific concerns and proposes the repeal or change of specific parts of the January 14 Federal Register notice.

I find the Department of Labor's attempts to prescribe unnecessarily costly and prescriptive regulations particularly shortsighted at a time when we are trying to preserve cost-effective services to citizens. I am requesting that you communicate your support of the attached changes in the proposed DOL regulations to the contact persons in the Department of Labor and in the Office of Management and Budget. Those persons are:

Mr. Hugh Davies
U.S. Department of Labor
601 D Street NW
Washington, DC 20213

Mr. James Mason
Office of Information & Regulatory Affairs
Office of Management and Budget
Room 3208
Washington, DC 20503

Thank you for your assistance in this matter.

Sincerely,

Ellen O'Brien Saunders
Division Administrator
(608) 266-2439

cc: Secretary Howard Bellman
Wisconsin SDA Executive Directors
Mr. Hugh Davies

ETP-7458 (N.Dec.)

State of Wisconsin \ Department of Industry, Labor and Human Relations

Employment and Training Policy Divisic

201 E. Washington Avenue
P.O. Box 7972
Madison, Wisconsin 53707

February 3, 1986

Assistant Secretary of Labor
for Employment and Training
U.S. Department of Labor
601 D. Street, N.W.
Washington, D.C. 20213

Attention: Mr. Hugh Davies

Dear Mr. Davies:

The Employment and Training administration recently proposed changes to the Job Training Partnership Act Annual Status Report for Titles II-A and III programs. The proposed changes include modifications to existing data elements in the JTPA Annual Status Report (JASR), a requirement for more extensive reporting on youth competencies and a requirement to implement a system for collecting and reporting post-program participant follow-up data. While some of the changes represent improvements in the reporting system, several others pose serious implementation and conceptual problems.

In general, I support many of the proposed changes contained in the notice. For example, adding the distinctions in the JASR between AFDC and general relief recipients and the duration of welfare recipient status (Lines 24, 25, 26) is an important step in addressing the issue of JTPA impact on welfare reduction. Additionally, the requirement for the collection of post-program participant follow-up information is significant in that it will not only provide policy makers with a much better indication of the performance and impact of JTPA, but will also enhance the planning, management and evaluation capacities at the federal, state and SDA level. Finally, I applaud the addition of a positive youth termination category for "Attained PIC-Recognized Youth Employment Competencies" (Section I,A.2.n in the JASR). I strongly feel that these changes should be retained.

Despite the several positive aspects of the proposed rule changes, however, major problems exist, particularly with respect to the post-program data collection and reporting requirements. The most glaring omission in the proposed requirements is any discussion of funding for follow-up data collection. This omission is particularly glaring in the face of expected cuts under Gramm-Rudman and the Department of Labor's silence on the use of six percent or other non-administrative funds for follow-up purposes. Presently, state and SDA administrative budgets are stretched to the breaking point, yet no definitive word has been forthcoming from DOL concerning the use of alternate sources of funds to implement and operate the follow-up system.

This funding problem was highlighted by DOL's own Performance Standards Advisory Committee, which prefaced its discussion of post-program data collection issues with an explicit statement that the implementation of a post-program data collection system be contingent upon the availability of additional or alternative funding. Moreover, DOL's estimated costs for the follow-up system substantially underestimate the actual costs of implementation and operation. Not included in the estimates are start-up costs of system design and programming, testing, training, and monitoring as well as on-going monitoring, quality control, and technical assistance costs.

Due to the extensive resources required to implement and operate the follow-up system and the lack of alternative funding sources presently available, Wisconsin in all likelihood will not be able to implement a follow-up system of the scope and within the timeframe specified in the January 14 notice. We urge that the Department recognize that the follow-up requirement represents a significant and expensive departure from the present termination-based reporting system and, as such, demands that attention be focused on the questions of how the states and SDAs will be able to pay for the system.

The second major problem with the follow-up system as proposed in the notice is the Department's decision to mandate certain procedural details. Especially burdensome is the DOL requirement that participant follow-up must be conducted using telephone surveys. We strongly feel that the telephone survey requirement unnecessarily imposes a very costly data collection methodology on the states and SDA's; according to the available research, this methodology is not clearly superior to the far less costly mail survey methodology. Our preliminary estimates suggest that a telephone survey system would be approximately four times as costly to operate as a comparable mail survey design and would provide no clear advantage in terms of precision or response standardization. Indeed, several of our SDA's have already successfully implemented mail survey-based follow-up systems which meet commonly accepted standards of precision at costs of from $2.00 to $5.00 per completed interview. A far better approach than the one proposed in the January 14 issuance is for DOL to clearly specify the necessary precision requirements and adjustment procedures and then leave the procedures to collect follow-up data to the discretion of the Governors. This would permit states to maintain presently operating follow-up reporting systems and still meet Federal needs for accurate, comparable post-program information.

I also wish to express serious reservations about the proposed method of collecting youth competency attainment information in Section IV of the JASR. I recognize that youth competency attainment must be reported on the JASR to adequately determine the positive youth termination rate. However, the distinction made between youth competency deficiencies and attainment in Section IV of the JASR is misleading and unnecessary. One justification for recording deficiencies in recognized employment competencies is that it will help to identify those hardest to serve. This can occur only if the degree of deficiency was identified and in the unusual case in which all eligible youth are assessed for competency deficiencies. Also, since youth can be terminated in a

different category, even though they may have attained competencies, I don't believe that any useful conclusions can be drawn from the deficient to attainment ratio. A much more effective and widely applicable method of identifying the difficult to serve segments is through analysis of participant characteristics.

We are also concerned that any standards developed on the basis of this reporting requirement will be used to direct state and local policy with regard to the use of youth competencies. SDA competency systems vary in their complexity, scope and completeness. They may all meet the basis "system" requirements, but youth competency deficiency and attainment information will not necessarily mean the same thing from one SDA to another. National or state summary information will thus not be sufficiently uniform to make meaningful comparisons among states or SDA's, particularly with respect to ratios of attained to deficient.

The Act explicitly leaves the decision whether to develop a system and the nature and extent of a system to local prerogative. The inclusion of Section IV on the JASR and particularly the "deficient" "attained" distinction will serve to coerce SDA's toward the development of youth competency systems designed to attain high ratios of attainments to deficiencies even though the meanings of the terms "deficient" and "attained" may vary widely in the absence of standardized definitions. This policy direction is counter to the intent of the Act. We strongly urge DOL to drop Section IV from the proposed JASR reporting requirements.

I feel that several other changes to the proposed JASR modifications are also in order. First, it is unwise to eliminate the "55 and over" age distinction as proposed. This group represents a very important and difficult to serve JTPA Title IIA target group. We feel that eliminating the distinction draws attention away from the needs of older workers, precludes future analysis and evaluation of their unique employment and training problems, and ultimately may foreclose planning and implementing initiatives targeted at this group due to lack of data.

Second, the distinction between school drop-outs (Line 8) who completed eighth grade and those who did not should be made. Clearly, as DOL's own Performance Standards Advisory Committee recognized, the employability and service needs of high school drop-outs and grade school drop-outs can be significantly different. These differences should be recorded and documented to inform future analyses and planning of JTPA Program targeting.

Third, the "Average Weekly Earnings of Employed"(At Follow-up) (Line 31) should include two additional lines, one of which would identify the number of hours worked during the 13th week and the second would document hourly earnings. Both pieces of information are important to collect, particularly for older workers or handicapped workers who are more likely to work part-time. Aggregate reporting of weekly earnings may mask important gains to these groups, would not enable states to adjust SDA standards for service to these groups, and might ultimately result in reduced service to them.

In conclusion, I strongly believe that the twenty day review and comment period allowed under this notice is grossly inadequate. This compressed timeframe does not permit sufficient time to properly consider the implication of the proposed changes. This is especially true of SJTCC or PIC consideration. Private sector participation in both SJTCCs and PICs would make comment from those groups very valuable. But time simply prohibits thoughtful review. I urge DOL to adopt a longer review period (at least 30 days) in the future.

I strongly urge the Department to consider the above-mentioned concerns and suggestions, and to pay particular attention to the following issues:

1. The question of how states and SDA's are to pay for follow-up has not been adequately addressed. Information about the use of performance incentive 6% funds, training funds, or other sources of support for follow-up must be provided soon due to the tight follow-up implementation schedule.

2. DOL's prescription of a telephone survey based data collection methodology for follow-up is ill-advised. It must be reconsidered in light of its cost implications and doubtful precision and standardization advantages.

3. The use of "deficient" and "attained" outcome categories for youth employment competency measures pose potentially serious problems. Such data is not likely to enhance programs' abilities to identify the hardest to serve, but will likely result in turning the achievement of youth employment competencies into a "numbers game." As such, I urge DOL to drop Section IV of the proposed JASR reporting requirements.

If you have any questions about the points raised above, please call Jack Wichita at (608) 266-0745.

Sincerely,

Ellen O'Brien Saunders

Ellen O'Brien Saunders
Division Administrator
(608) 266-2439

EOBS/jcm

cc: Mr. James Mason
Office of Information and Regulatory Affairs
Office of Management and Budget, Room 3208
Washington, D.C. 20503

Wisconsin Congressional Delegation

Wisconsin SDA Executive Directors

GAO MANAGEMENT REPORT

Mr. Roybal: I commend you for taking positive steps to address the problems identified in the GAO report evaluating the Department's management effectiveness. How have you responded so far to the report and what management improvement initiatives have you undertaken?

Mr. Brock: Well before the GAO Management Report was finalized, I obtained a briefing on the key issues from Comptroller General Bowsher and immediately established a Blue Ribbon Task Force in each subject area. The objectives of these task forces were to work with GAO staff in refining the problems and to begin formulating Departmental action plans for correcting our deficiencies. Task forces were established and worked actively in the following areas: ERISA enforcement, the regulatory process, procurement management, information resources management MSHA inspections, JTPA oversight, unemployment insurance oversight, workforce planning, accounting controls, and Secretarial direction. As a result, by the time the GAO Management Report was issued in draft, the Department was able to report that it had already taken some corrective action in every subject area.

Since then, we have established milestones for each of the final recommendations in the GAO Management Report, and rolled most of those milestones into the sub-goals and action plans established under the Secretary's Management System. In the majority of cases, we expect to have completed the necessary actions by the end of calendar 1986. Most of the remainder would be completed the following year, but there are a number that have major systems and/or budgetary impact that may carryover into the out-years.

In terms of management initiatives, probably the most significant accomplishment to date has been the establishment of the Secretary's Management System itself. As noted earlier, this new system provides for promulgation of broad, long-term goals at the Secretarial level, establishment of agency sub-goals and milestones, quarterly reporting, assessment and analysis of progress and problems, and feedback to the Executive staff on further actions to be taken if appropriate. Utilizing this process we can be assured that the priority work of the Department is accomplished in a timely manner, with necessary policy direction from the Secretary's office and coordination being provided as necessary.

RULEMAKING FOR SAFETY AND HEALTH

Mr. Roybal: What do you plan with regard to improving the rulemaking process at the Department of Labor, especially with regard to health and safety? Explain fully the goals of the task force that is now studying various problems involved in issuing regulations.

Mr. Brock: A Departmental task force has been established and will examine a broad range of issues regarding the rulemaking process. This task force is charged with providing me with specific recommendations as to how the rulemaking process can be improved. Some of the specific areas that the group will examine include: the increased use of negotiated/mediated rulemaking, potential improvements in the Departmental and interagency review process, the potential flexibility within current regulatory statutes that would allow for greater efficiency in rulemaking, and if appropriate, recommendation for modifications in the Department's regulatory statutes.

I would add that in July 1985 a prior Departmental "Blue Ribbon" task force reviewed the findings of a GAO Management Review that was critical of the Department's rulemaking process. The task force, in addition to recommending that the current effort be undertaken, provided us with considerable background information. As a result of that information, we are already moving ahead in a number of areas to improve the effficiency of the rulemaking process. One concrete example of this is the Department's decision to go forward with a negotiated rulemaking leading to a proposed OSHA standard to deal with the problem of occupational exposure to 4.4 - methylenedianaline. The experience gained from this effort will hopefully provide us with insights to apply such techniques to other rulemakings.

FIELD SANITATION STANDARD

Mr. Roybal: Last year, you made a decision not to issue field sanitation standards for farmworkers, and instead to wait to adopt a federal rule if States did not take action on their own to adopt stringent rules.

What States at that time had standards as stringent or more stringent than the proposed federal standard and what additional States have adopted such standards since your decision?

Mr. Brock: At the time I made my decision to afford the States an opportunity to take adequate action to protect farmworkers, in lieu of immediately issuing a Federal field sanitation standard, 13 States already had field sanitation standards in place and it is estimated that they were providing some coverage to 75 percent of the Nation's affected farm hand laborers. A number of these States including California, New Jersey, Oregon, Illinois, and Florida had standards which were at least as stringent as the OSHA proposal at the time of my decision. It should be noted that the Texas field sanitation standard is even more stringent than the OSHA proposal.

As to the number of States that have adopted standards since my decision, I am pleased to report that, as of February 26, 1986, an additional 17 States have indicated that they are currently developing field sanitation standards. In addition, Oregon and Maine have submitted amended standards subsequent to my decision.

Mr. Roybal: In the course of the rulemaking proceeding, what adverse health effects on farmworkers were identified that were potentially attributable to the absence of adequate sanitation facilities?

Mr. Brock: In the process of building a record to determine the need for a field sanitation standard, three sets of issues were established. First, farmworkers performing hand-labor in the fields appear to experience an excessive risk of harm to health from heat stress induced strokes, wide spread communicable parasitic disease and toxic effects of agrochemicals on skin. Second, sanitation facilities such as suitable sources of drinking water, toilets and handwashing facilities in the field were generally absent in both regulated and non-regulated States. Lastly, public health authorities worldwide have argued that toilets and suitable water for handwashing and drinking are essential interventions required to significantly decrease risk of harm from heat stress, communicable disease, and exposure to toxic agrochemicals.

Mr. Roybal: When do you plan to enact a federal rule to ensure that workers in the fields have access to toilets, handwashing facilities and drinking water?

Mr. Brock: As indicated in the October 21, 1985, Federal Register notice on the field sanitation issue, States were requested to submit final proposals on their field sanitation standards and enforcement programs to Federal OSHA by January 1987. By April 1987, we will complete our evaluation of the States' submissions and determine whether or not the States have sufficiently acted to protect the vast majority of farm hand laborers. If the States have not sufficiently addressed the field sanitation issue, a Federal standard will be promulgated by October 1987.

Mr. Roybal: How would you assess the health status of our nation's farmworkers? What programs, projects, or activities of the Department directly seek to improve the health status of this population? What have they accomplished over the last four years?

Mr. Brock: All 40 expert witnesses in the record agreed that this large, widely distributed, population-at-risk appears to contain a significant number of farmworkers who have clinically identified illnesses related to a lack of field sanitation facilities. BLS data for 1979 (latest year) indicated that farm labor has the highest incidence of workers' compensation claims for heat disorders among all industries (7.5 percent) in 26 reporting States. Communicable parasitic disease prevalence among farm laborers ranges from 20 to 54 percent nationwide compared to 1 to 5 percent in control populations. Studies of skin disorders among farmworkers in California indicate that at least 16 percent are related to exposure to toxic agrochemicals. Record reports of death, disability and loss of functional capacity to work appear to support this data.

For the past four years OSHA has annually conducted an average of 900 migrant camp inspections under the standard 29 CFR 1910.142. This standard is concerned with basic health and safety issues. In addition, OSHA is a party to an interagency agreement with ESA and ETA. This agreement coordinates inspection activity among the three agencies so that there is no duplication of services. OSHA also is a major participant in regularly scheduled monthly and quarterly meetings with ESA, ETA and the Solicitor under the chairmanship of the Undersecretary. The purpose of these meetings is to monitor and upgrade the Department's activities on behalf of migrant labor as stipulated in the 1980 settlement agreement in NAACP vs. Marshall.

STATUS OF EXECUTIVE ORDER

Mr. Roybal: What is the current status of proposed revisions to Executive Order 11246, which establishes affirmative action requirements for Federal contractors?

Mr. Brock: There is really nothing new to report in this area. Discussions have been held on the subject at the Cabinet level. At this time, there has been no decision to modify or amend the current program.

Mr. Roybal: Doesn't any revision pose the risk of seriously harming the equal employment opportunity prospects of Hispanics, Blacks, women, and other minorities?

Mr. Brock: No. If a revision were made, it would be founded on the long standing commitment of this Administration to ensure equal employment opportunity for all.

SUCCESS OF THE EXECUTIVE ORDER

Mr. Roybal: What success has the Executive Order had over the years since it was instituted to help remedy discrimination in the workplace, or at least in the workplaces of those exercising the privilege of doing business with the Federal government?

Mr. Brock: I believe that the Executive Order program has directly helped qualified women and minorities move into types of employment that they had not previously held. Studies done by the Labor Department, as well as others, tend to confirm this judgement. Participation rates for women and minorities in companies covered by the Executive Order program have increased at a greater rate than at companies not covered by the Order. Moreover, among companies covered by the Executive Order, those that have had a compliance review have shown greater increases in participation rates than those which have not had a review.

DEPARTMENTAL EXECUTIVE ORDER STUDY

Mr. Roybal: Has the Department conducted any studies comparing Federal contractors subject to the Executive Order with comparable employers not subject to the order, to determine whether the order has resulted in greater employment opportunities for those it seeks to protect, and what were the conclusions of any such studies?

Mr. Brock: A study was done within the Department, analyzing data covering the period 1974 to 1980. This study showed a greater increase in the participation rates of minorities and women in establishments that were subject to the Executive Order over those which were not. Still greater participation rates were seen in those establishments in which compliance reviews had been conducted.

JOB CORPS/SUMMER YOUTH PROGRAM

Mr. Roybal: In view of the relatively high unemployment rate among minority youth, and the especially troublesome problem of those in our large cities such as Los Angeles, how do you justify the drastic curtailment of such programs as the Job Corps and the Summer Youth Employment and Training program?

Mr. Brock: We faced a number of competing demands while developing our 1987 request: the fiscal realities of having to meet G-R-H targets government-wide and the need to retain a viable and effective core of programs for those most in need, including unemployed minority youth. We believe the Department's proposals meet both of the demands head-on.

Mr. Roybal: What exactly is the "major effort" that ETA is to begin in 1986 to increase the effectiveness of its training and employment programs in improving the economic opportunity of youth? How can such an effort result in services to more youth when major employment and training programs geared to helping youth are being reduced?

Mr. Brock: In 1986, ETA will be concentrating on efforts to improve the cost effectiveness and efficiency of those programs already aimed at the training needs of youth, particulary minority youth and those most in need. The areas receiving major emphasis are the following:

Summer Youth

- A redesign of the program to replace the current formula distribution of funds by directing resources to those areas with critical youth unemployment problems, mainly large urban areas. This permits substantial savings while maintaining services to those areas with the greatest need. Other areas with less need will not operate distinct programs.

Job Corps

- A reduction in enrollments beginning in FY 1986 from the current 40,500 to 22,000 - a viable level which was maintained before the FY 1977 program expansion.

- While Job Corps has been an effective program for many of the youth it serves, the cost of the residential treatment is prohibitive and services can be provided only to those youth with extraordinary problems that cannot be served by local programs.

Other Efforts

- In the JTPA Research and Evaluation and Pilots and Demonstrations areas, a number of programs have been funded

already or are in the planning stages in support of our goal to improve services to unemployed youth. These efforts build on past research results and tie in with JTPA youth programs, such as Job Corps and the Summer Program. Providing the additional funds requested for 1987 will enable us to expand upon these efforts.

- o A substantial portion of Training and Technical Assistance (TAT) funds also are being dedicated to activities to promote successful approaches to serve economically disadvantaged youth, particularly school dropouts.

These activities in combination will offset to a great extent the proposed funding reductions and will increase and improve services beyond that which would otherwise be possible.

Mr. Roybal: If those reductions were to take place, what other programs, projects or activities within the Department would provide jobs and training for the 317,700 youngsters who would be eliminated from the Summer Youth Employment Program and the 18,500 of the least employable youth who would be dropped from the Job Corps program?

Mr. Brock: First, it must be recognized that our proposals have been constructed to minimize the impact on those most in need. Thus, the targeting of Summer funds will maintain the program in those urban areas where youth unemployment is most severe. With respect to Job Corps, the proposal envisions gains through improvements and concentration in the most efficient centers that should result in more effective use of budget resources. Second, we expect that the increasing involvement of the private sector and continuing improvements in the economy will continue to yield more opportunities. Passage of the Youth Employment Opportunity Wage, for example, would greatly increase summer opportunities.

INCREASE IN PILOTS AND DEMONSTRATIONS REQUEST

Mr. Early: Mr. Secretary, would you explain your reasons for not only preserving the Pilots and Demonstrations program, under the Federally Administered programs, but requesting a $20.8 million increase for FY 87?

Mr. Brock: The Pilots and Demonstrations budget currently supports ongoing programs, which address skill shortages, training and employment problems of the handicapped, persons of limited English speaking ability, and persons requiring but unable to obtain fidelity bonding insurance, as well as our partnership programs with national organizations and associations which support technical assistance efforts in training related matters. While these are important activities appropriately funded at the Federal level, our existing budget severely limits the undertaking of any new, innovative initiatives.

With the $20.8 million in new funding requested, the Pilots and Demonstration program will undertake: (1) innovative approaches and initiatives for providing training and employment to youth, particularly disadvantaged black and other minority youngsters who have exceedingly high jobless rates; (2) projects pertaining to reemployment of dislocated workers; and (3) improving linkages with other agencies, other levels of government, and with non-government institutions.

We believe that the Federal role should include experimentation and testing of innovative programs which typically cannot be afforded by States, Service Delivery Areas and Private Industry Councils. These requested funds in combination with other requested resources will be used to test, develop, and disseminate proven models and approaches to the JTPA system. We are confident that through small investments in innovative programs we will be able to improve the effectiveness of our programs and increase the yield from our spending through increased coordination and linkages with other programs with complementary objectives.

Mr. Early: How did the Department arrive at the $20.89 million increase requested for the Pilots and Demonstrations program?

Mr. Brock: The $20.89 million increase represents our estimate of the funding necessary to undertake a modest yet substantial new effort. It will approximately double the resources currently available for the program.

DUPLICATIVE EFFORTS OF PRESIDENT'S COMMITTEE

Mr. Early: During the Conference on the FY '86 Bill there was considerable discussion about the President's Committtee on Employment of the Handicapped. Would you agree that some of the objectives of the Committee are duplicative of the efforts of the National Council on the Handicapped? Please explain why.

Mr. Brock: No. I do not agree. Each of these agencies has both a distinctive and a useful role to play.

The purpose of the National Council on the Handicapped is to review all Federal level programs, laws and policies affecting individuals with disabilities, and to recommend improvements to the President and the Congress.

The purpose of the President's Committee on Employment of the Handicapped is to involve private sector volunteers in a program designed to facilitate the development of maximum employment opportunities for persons with disabilities.

These are very different mandates. I understand that some thought has been given to a suggestion to transfer the programs and activities of the President's Committee to the National Council. In my opinion, such an action would negatively affect both organizations. It would certainly confuse and dilute the role of the National Council. As currently constructed, the National Council is essentially a monitoring, policy making agency. And, they are doing an outstanding job. If it were given the programmatic responsibilities of the President's Committee "to promote employment opportunities for individuals with disabilities," it would lose a measure of its impartiality as the National Council would have to evaluate its "own" program as well as those conducted by other Federal agencies.

Transferring the programs of the President's Committee to the National Council would very obviously affect the President's Committee, and its network of 600 private sector volunteers. The percentage of individuals with disabilities not participating in the work force is alarmingly high. The underutilization of skills and abilities of individuals with disabilities is a tremendous loss to both the individuals themselves and to the Nation. The employment needs of people with disabilities must be seen as a national concern and must be addressed by an independent agency which can focus solely on those needs. And, that is the responsibility of the President's Committee.

Thus, both the President's Committee on Employment of the Handicapped and the National Council on the Handicapped are needed.

AUTOMATION GRANTS

Mr. Early: Please explain how the $860,000 reduction, due to sequestration, will impact the U.I. automation initiative in fiscal 1986?

Mr. Brock: Of the States approved for UI automation grants, the State proposal ranked lowest based on published criteria will be reduced by $860,000.

Mr. Early: Would you highlight what you believe the direction and success of the U.I. automation program will be in FY 87 and beyond?

Mr. Brock: The program will emphasize the automation of the benefits, tax and appeals operations in those States which are still labor intensive and thus more costly. Awards for the replacement of older equipment such as the card machinery used for continued claims, terminals, telecommunications and data storage devices and computers which can be amortized through administrative savings will continue to be made. In addition, software and new equipment will be funded which meet objective criteria for award of automation grants.

State proposals will be reviewed and awards made based on the following criteria:

- Trust Fund savings
- Proposed plans to recoup costs through administrative savings
- Measurable improvements
- Strategic design
- Technical merit
- Urgency of the request, and
- Conversion to wage record operations.

The U.I. automation grants process has awarded $60 million in funds to 43 State agencies over the past three years. As a result, States have agreed to administrative savings of $31.3 million in U.I. grants as a result of efficiencies realized.

Mr. Early: What will the primary focus of the FY 87 U.I. automation grants be?

Mr. Brock: Discussion with State Employment Security Agencies (SESAs) and review of SESA automation trends suggest that a significant improvement in efficiency can be realized by projects focusing on automation of U.I. functions that are labor intensive. Accordingly, emphasis will be placed on State projects which have clearly identified labor intensive operations which can benefit from automation. These projects will be expected to show administrative savings, which will reduce grant costs, measurable improvements and technical merit in sufficient detail to place them in the fundable range. In addition, some of these funds may be used to fund State conversions from a wage request to a wage record system for UI purposes to comply with the Deficit Reduction Act of 1984.

The U.I. automation grants will also fund projects which document the need for replacement of costly or poorly operating equipment whose replacement would produce measurable improvements to reach desired levels of achievement and have a significant level of administrative savings.

SERVICE SECTOR DATA FROM BLS

Mr. Early: How will the revised FY 86 funding levels impact the Service Sector Data Collection activities?

Mr. Brock: In FY 86 the Service Sector programs were effected by a 4.3 percent reduction as required by the Gramm-Rudman-Hollings legislation. The impact on the programs will result in the delay of publishing three studies from FY 1986 to FY 1987. Two series initially scheduled for publication in early FY 1987 will be delayed until late FY 1987.

Mr. Early: Mr. Secretary, with your previous experience as the Trade Representative would you say the information now being collected by the BLS on service sector industries is adequate?

Mr. Brock: Although the Bureau of Labor Statistics now publishes service sector data on employment, prices, wages, and productivity, this information, except for the employment data, is limited. An expansion of price, wage, and productivity measures, however, is under way. Of particular interest to those concerned with trade policy and analysis is the planned development of export and import price indexes for services. Assuming success in the development of the initial service price indexes in international trade, BLS will continue to expand this program within the limits of resources. These data, as they become available will be useful in measuring the effect of other countries' prices and exchange rates on price levels in the United States and in analyzing the competitive position of U.S. services and world markets.

Mr. Early: Do you believe the collection of Service Sector data should be improved?

Mr. Brock: Yes, I do. The demand for data for this growing sector is insistent. The Bureau hopes to provide as much data as possible as soon as developmental activities can be completed. A good start in this direction has been made. The present planned expansion should help relieve some of the data deficiencies.

WORK INCENTIVES PROGRAM

Mr. Early: Much of the success of the Massachusetts WIN program, called Employment and Training Choices, is attributed to the flexibility the State had in composing the program. The training and child care components of the program have made it a model project. One of my concerns with the Administration's proposed workfare program is that States will not have this much needed flexibility. Will the States be able to offer a comprehensive employment and training program, with support services such as child care, under JTPA and the Social Services Block Grant as the President has indicated?

Mr. Brock: Under the Administration's work proposal, States will be given flexibility in the design and operation of their work programs. States can choose from a number of employemt-related activities, including Job Search, the Community Work Experience Program (CWEP), subsidized private employment, or a State-designed employment related program, as well as participation in Job Training Partnership Act (JTPA) training.

During the past 3-4 years 39 States have adopted one or more of these work participation options. At the same time a number of research projects have been conducted to measure the effectiveness of CWEP and Job Search in achieving job placements. Each one of these projects is different, combining varying mixtures of job search, work experiences, and support activity for welfare applicants and/or recipients. Some are statewide, some are limited to a few counties. Many of these projects used control groups -- the research approach which enables program managers to best judge what the program achieved versus what would have happened independent of the program activity.

Results from this wide variety of experimental projects assessed by the Manpower Demonstration Research Corporation (MDRC) in 11 sites are still largerly preliminary and, as MDRC itself states, cannot be generalized to the rest of the country. Nevertheless, the preliminary results on a site-by-site basis seem to be encouraging. To date the MDRC studies suggest that, in general, work participation programs can be implemented effectively and good work experience provided which result in income gains and reductions in welfare dependency over what would have occurred in the absence of the program. MDRC's preliminary findings also seem to suggest that arranging for child care (either institutional day care or with family or friends) does not seem to be the barrier to program participation it was expected to be. So far, experimental sites have not been using the entire amounts set aside for day care centers. Some of the site-specific results follow:

-- In San Diego, AFDC applicants in the group engaging in job search followed by work experience showed statistically significant differences from the control group during the year after participation for percent employed (+5.6% more were employed, a 10% increase over the controls), average earnings (+$700, a 23% gain), and average annual AFDC payment (-$288, an 8% decline).

-- In Arkansas, which ran a work experience program similar to CWEP, 4.8% more of the experimentals were employed during the 3 quarters of post-program assessment (an employment rate increase of 34%), average earnings increased $78 (a 36% increase), and average annual AFDC payments dropped by $93 (11%).

-- In Washington State, participants in employment search and CWEP activities found jobs at twice the rate of non-participants.

We are also aware that other States not assessed by MDRC appear to have benefitted from the flexibility granted under the recent changes in the AFDC programs. For example, Pennsylvania has been operating a program centered on job search and work experience. In FY 1985, the State reported that more than 34,000 welfare recipients found jobs, a rate several times higher than reported in prior years under the conventional WIN program.

The Administration believes that the ongoing experience with the above innovative programs and others nationwide argue strongly for increased State flexibility in the design of these programs. Federal assistance for these programs will be direct and indirect. Under the Administration's proposal, participants in work-related activities would be fully reimbursed for all out-of-pocket transportation costs and expenses for child day care. All reasonable administrative costs associated with job search, CWEP, and related programs are also eligible for the normal 50% Federal funding. The FY 1987 budget includes $200 million as the estimated Federal share of these costs; if actual costs are higher, added Federal funds will be available.

On an indirect basis, the Administration continues to finance training and job related activities under the Job Training Partnership Act (JTPA) block grant ($1.8 billion), which is required by law to serve AFDC recipients. Should a State choose to provide education and training beyond JTPA for welfare recipients, funding could come from State funds or other funds provided for education under existing programs.

Regarding child care, the Administration's proposal requires that child care be available in order to require participation. States can use AFDC (title IV-A) funds for this purpose or (Title XX) Social Service Block Grant funds ($2.7 billion), and/or supplemental State/county funds, contracting with public and private child care providers, operating child care centers which employ CWEP participants as aides, self-help groups and informal arrangements by recipients.

Mr. Early: I have read that the Department has done internal studies of the WIN program which revealed that the program was cost effective. From the most recent information that the Department has, would you agree that overall the program is cost effective?

Mr. Brock: There have been no internal studies conducted that we are aware of stating that the WIN program was cost effective. The Administration agrees with the findings of numerous studies of the WIN program over many years that conclude the program is not cost effective.

DISLOCATED WORKERS - STANDARD INDUSTRIAL CLASSIFICATION CODES

Mr. Dwyer: Concern has been expressed over the inflexibility of the Standard Industrial Classification (SIC) codes that are being used to determine eligibility for the special set-asides provided by the Department for workers who lost their jobs as a result of imports in the steel and copper industries. Because of the rigid codes, more than 150 copper workers in my state who were working in areas very similar to those covered by the SIC codes, found that they were not eligible for set-aside assistance when their plant closed. Please explain the rationale for the rigidity of these codes in administering the copper and steel set-aside program.

Mr. Brock: In late 1984, the United States International Trade Commission (ITC) found that certain segments of the U.S. Copper and Steel Industries had been impacted by foreign trade. The President, in deciding not to impose quotas or tariffs, directed the Department of Labor to assist workers in these industries who were affected by plant closings and layoffs. In response, the Department initiated a special program of training and retraining for these workers under Title III of the Job Training Partnership Act (JTPA). Eligibility for assistance specifically was targeted to workers in those segments of the copper and steel industry which were the subject of the ITC findings. The standard industrial classification (SIC) codes used in the Department's special copper and steel set-asides were based on those segments identified by the ITC. Those segments were identified in the special copper report forwarded to the Congress by the President.

We would point out that dislocated workers falling outside of the applicable SIC codes may be served under the States' formula-funded JTPA Title III programs, or under other specific Title III discretionary awards.

Mr. Dwyer: Has this type of inflexibility occurred in other aspects of the dislocated worker program, and can you provide the Committee with a preliminary idea of how discretionary dislocated worker funds will be distributed in the future, with particular emphasis on if, and how the SIC codes will be used?

Mr. Brock: SIC codes have not been used for other Title III programs. The use of such codes was appropriate in the steel and copper situation in order to ensure that the funds were targeted on the occupations identified in the ITC findings. While the Department has no plans to use the SIC codes for other similar Title III efforts, it is possible that it may be appropriate to do so at some future time.

With respect to the future distribution of Title III discretionary funds, at this time the Department anticipates that it will continue with the existing procedures which provide for funding projects which specifically identify the dislocated workers to be served and the types of occupations in which retraining will occur. The use of SIC codes or other requirements will be considered where deemed necessary for appropriate action. The Department does not have any plans to include such requirements generally.

TITLE III - DISLOCATED WORKER DISCRETIONARY FUNDING

Mr. Porter: Mr. Secretary, I and other members of the Illinois congressional delegation recently sent you a letter concerning allocation of discretionary Title III funds for dislocated workers. Due to FY '86 reductions in appropriations, funds provided to Illinois under this program will be reduced from approximately $10.7 million to roughly $4.8 million. Because Illinois expends its Title III funds efficiently and does not accumulate large reserves as some States do, adequate carryover funds will not be available to maintain current services. Could you report on this situation and on the "hold harmless" provision in the Committee Report to the FY '86 Continuing Resolution?

Mr. Brock: The Department recognizes that certain States have been more effective in utilizing available Title III funds. The Department intends to give special consideration to proposals for discretionary funds from such States.

Later language which accompanied the Conference Report to the FY 1986 Continuing Resolution further clarified the intent of Congress regarding the use of the Title III discretionary funds. This later language suggested special consideration for discretionary proposals as indicated above.

Mr. Porter: By way of follow-up, your budget request includes a proposal to make all Title III funds discretionary. Can you tell me how this change would affect States like Illinois? How would the $74 million supplemental for Title III affect States like Illinois?

Mr. Brock: The proposal included in the 1987 budget request to make all Title III funds discretionary will provide increased flexibility to target resources more efficiently and respond more quickly to special problem situations, including any in Illinois.

The $74 million in discretionary funds in supplemental funding for 1986 was requested in order to provide increased adjustment help to dislocated workers following the expiration of the Trade Adjustment Assistance program. Funds will be awarded based on State proposals to assist all dislocated workers, but especially trade-impacted workers. The Department will give special consideration to proposals from States such as Illinois which were the most effective in utilizing their Title III funds.

GARCIA DECISION

Mr. Porter: As you probably know, I took an active interest last year in the problems raised by the Supreme Court decision in Garcia v. San Antonio Metropolitan Transit Authority and the Amendments to the Fair Labor Standards Act (FLSA) which were ultimately adopted. I want to commend you for your role in the resolution of that issue, and would be interested in knowing how enforcement efforts are progressing.

Mr. Brock: The 1985 Amendments to the Fair Labor Standards Act become effective on April 15, 1986. During the interim, we are providing technical assistance to employers to assist them in complying with the law. Our staff has been attending meetings of public employers, giving speeches and participating in seminars. A toll-free 800 line has been established in the National Office and some 5,700 calls have been responded to. More than 5,000 letters requesting information have been answered. We are in the process of mailing out to 83,000 units of State and local government a summary of the 1985 FLSA Amendments to ensure that all public sector employers are aware of their responsibilities under the law. Additionally, we have offered the Governors of the States experienced Wage and Hour personnel for 30-day temporary assignments under the Intergovernmental Personnel Act.

SUBMINIMUM WAGE

Mr. Porter: Can you report to the Subcommittee on any new efforts this year to enact a subminimum wage?

Mr. Brock: The Administration is supporting S. 797 and H. R. 1811 which would establish the Youth Employment Opportunity Wage. These bills have received support from a wide range of outside groups. Endorsements have been announced by groups representing local government (National Conference of Black Mayors), training organizations (SER-Jobs for Progress and Opportunities Industrialization Centers), educational organizations (National Association for Equal Opportunity in Higher Education), youth organizations (Boys of America), minority organizations (National Association of Cuban-American Women and Men, and Organization of Chinese-American Women), and a wide range of business organizations (U. S. Chamber of Commerce and National Association of Manufacturers).

We will continue to work for enactment of this legislation.

UNEMPLOYMENT INSURANCE OVERPAYMENTS

Mr. Porter: I recently heard from a firm in Illinois that has developed a computer system which detects fraud in the Unemployment Insurance program. This system has proven successful in the detection and processing of UI overpayments. At a time when such waste and fraud is less affordable than ever, is the Department of Labor taking action in this area?

Mr. Brock: Presumably, the system referred to is the Benefit Audit Reporting and Tracking System (BARTS) developed by a Chicago firm.

The Department is aware of this system as are many of the State Employment Security Agencies (SESA). Since the mid-1970's, SESAs have been implementing comprehensive automated systems to detect and recover benefit overpayments. In a recent survey, it was found that 43 SESAs have implementated automated overpayment detection systems. Of this figure, 27 SESAs have implemented a Model Crossmatching System a computerized system for detecting claimants who draw benefits while employed. This system has been acclaimed by the Office of Inspector General to be an effective and efficient detection method. Over 60 percent of all fraud overpayments have been uncovered through this system.

Several SESAs have informed us that BARTS is a good system but that the Model Crossmatching System, with enhancements, is a more comprehensive and effective system for detecting overpayments. Our approach is to make information on these and other systems available to States, and to allow States to decide which system(s) will best meet their needs.

Although BARTS has been successful in Illinois, only two other States have expressed an interest in purchasing the system.

The Department monitors the results of automated overpayment detection and recovery programs very carefully in order to determine the effectiveness of these programs (including BARTS) for maintaining the integrity of the UI program.

TUESDAY, FEBRUARY 25, 1986.

OFFICE OF THE INSPECTOR GENERAL

WITNESSES

J. BRIAN HYLAND, INSPECTOR GENERAL

RAYMOND MARIA, DEPUTY INSPECTOR GENERAL

GERALD W. PETERSON, ASSISTANT INSPECTOR GENERAL FOR AUDIT

RICHARD ROSS, ACTING ASSISTANT INSPECTOR GENERAL FOR INVESTIGATIONS

E. J. GERMAN, ASSISTANT INSPECTOR GENERAL FOR RESOURCE MANAGEMENT AND LEGISLATIVE ASSESSMENT

JAMES McMULLEN, OFFICE OF BUDGET

Mr. NATCHER. At this time, we have before the committee Mr. J. Brian Hyland, the Inspector General, Department of Labor, and it is a pleasure to have you back before the committee.

Tell us who you have there with you at the table.

Mr. HYLAND. Starting on my left, I have Mr. Richard Ross, the Acting Inspector General for Investigations; and on my immediate left is Mr. Jerry German, Assistant Inspector General for Administration; and on my immediate right is Mr. Raymond Maria, Deputy Inspector General; and to his right, Mr. Gerry Peterson, Assistant Inspector General for Audits; and next to him is Mr. James McMullen, Budget Office.

Mr. NATCHER. We are delighted to have all of you gentlemen before the committee, and we will be pleased to hear from you.

OPENING STATEMENT

Mr. HYLAND. It is a pleasure to be here. I will summarize my opening statement.

The Office of Inspector General was established in 1978 to prevent and deter fraud, waste and abuse, and to promote economy, efficiency and effectiveness. We do this through four components in the Office.

Overall in 1987, we are submitting a request of $41.485 million. After the effect of Gramm-Rudman, this is a slight increase of about $1.2 million over the FY 1986 level.

The four components are the Office of Audit, and for that particular office, I am asking $24.475 million, and 271 FTEs, which is a slight reduction in FTEs.

The second office is the Office of Investigations, which conducts the investigation of program frauds within the Department of Labor, and for that office, I am asking $6.976 million, and 113 FTEs, which is an increase of one over fiscal year 1986.

The third office is the Office of Labor Racketeering, which conducts investigations relating to organized crime within the labor-

management areas, and for that office, I am asking $6.323 million, and 101 FTEs, which is a slight decrease of three.

The last component is the Executive Direction and Management Office, which comprises the front office and the component that Mr. German runs, as far as the budget and finance activity, and for that office, I am asking $3.711 million and 45 FTEs, which is also a slight reduction over 1986.

In summary again, Mr. Chairman, my total request is $41.485 million, which, compared to the original 1986 appropriation, is a slight reduction, and compared to the 1986 appropriation after the Gramm-Rudman effect, is a slight increase.

[The statement and biography of Mr. Hyland follows:]

Statement by J. Brian Hyland
Inspector General
Appropriation Subcommittee
Fiscal Year 1987 Budget Request

Departmental Management

Office of Inspector General

Mr. Chairman, members of the subcommittee, I appreciate this opportunity to appear before you to present the Fiscal Year 1987 budget request for the Office of Inspector General in the Department of Labor.

As you know, the Office of Inspector General (OIG) in the Department of Labor (DOL) was established by the Inspector General Act of 1978. The responsibilities we are charged to carry out include: recommending policies to prevent and detect fraud, waste, and abuse in DOL activities and programs and increase economy and efficiency; conducting, supervising and coordinating audits and investigations relating to DOL programs and activities; informing the Secretary of Labor and the Congress about problems and corrective actions taken in the administration of DOL activities and programs; and reviewing legislation and regulations to assess fraud, waste, and abuse potential and make recommendations to the DOL and the Congress. Additionally, the DOL OIG is assigned the responsibility and authority to investigate organized crime's influence and impact on labor organizations' employee benefit plans, union benefit plans, and labor-related activities.

The 1987 Budget request of the Office of Inspector General represents a net increase of $1,223,000 above the 1986 amount.

The OIG achieves its goals through four office activities: the Office of Audit, the Office of Investigations, the Office of Labor Racketeering, and an Executive Direction and Management activity.

The Fiscal Year 1987 budget request for the Office of Audit activity totals $24,475,000 and 271 FTEs. Together with $8.3 million in audit contracting funds, the Office of Audit will be able to provide the equivalent of 382 staff years of audit effort to review critical departmental programs and activities.

In Fiscal Year 1987 the substantial commitments to the areas of departmental ADP management and operations and financial management will be maintained at Fiscal Year 1986 levels. The Office of Audit's efforts to facilitate the effective implementation of the Single Audit Act of 1984 will be renewed. Audit coverage of many other departmental programs and activities will reflect marginal changes. At this request level, this office anticipates performing a total of 200 audits, reviews, and studies.

The Fiscal Year 1987 budget request for the Office of Investigations (OI) activity totals $6,976,000 and 113 FTEs.

During Fiscal Year 1987, the OI's emphasis will be placed on plans to ensure efficient and effective use of staff resources to deliver improved quality cases. The total number of investigations will increase over 1986 levels.

While the staff effort committed to the Unemployment Insurance (UI) program will be decreased to 32 FTEs, we will handle approximately 640 UI cases nonetheless. This will be accomplished through the use of "clustering" procedures we have developed to gather individual cases into groups for prosecution. These techniques will also be used in Mine Workers Compensation investigations.

The Fiscal Year 1987 budget request for the Office of Labor Racketeering (OLR) activity totals $6,323,000 and 101 FTEs.

The OLR implements and coordinates a program to conduct investigations which are prosecuted by the U.S. Attorneys Offices, the U.S. Department of Justice Strike Force Offices, and selected state prosecutors. The OLR also coordinates its program with the Office of Labor Management Standards and the Pension and Welfare Benefits Administration.

With the requested resources, this office will continue to investigate abuse of benefit plans and penetration of unions by organized crime and racketeering elements, especially in the areas of construction, waterfront, transportation, and service industries. As a result of the consolidation of OLR resources in densely populated geographic areas, we plan to complete more investigations in Fiscal Year 1987. OLR will continue to devote approximately 65 percent of its attention to abuses of benefit plans.

The budget request for the Executive Direction and Management (EDM) activity totals $3,711,000 and 45 FTEs. This represents a reduction of 2 FTEs and $1,123,000 from the 1986 level.

The Executive Direction and Management activity provides for management direction as well as planning, evaluation, legislative liaison, personnel operations, financial management, and administrative support functions necessary to carry out the nationwide responsibilities of the OIG on a timely and cost-effective basis. The major objectives of the activity are to provide effective management, to consolidate administrative support functions, to develop improved management information and automated data processing systems, and to coordinate staff and resource management. EDM is also responsible for the initiatives in the ethics and integrity training and awareness program.

The emphasis of the EDM activity will be to improve the efficiency and effectiveness of management and administrative support operations. Action will be taken to achieve optimum utilization of personnel resources.

Mr. Chairman, that concludes my statement. I would be pleased to answer your questions.

Biographical Sketch

J. Brian Hyland

Inspector General
Department of Labor

J. Brian Hyland was nominated by President Reagan as Inspector General on April 4, 1983 and confirmed on August 3, 1983. Until his confirmation as Inspector General, he served as Deputy Inspector General.

Mr. Hyland had served as NASA's Deputy Inspector General since October 1980, and before that as NASA's Assistant Inspector General for Investigations.

Mr. Hyland served as Inspector with the FBI in Washington, D.C., and as Director on the Surveys and Investigations Staff Appropriations Committee in the U.S. House of Representatives from 1975 to 1979. From 1971 to 1975, he was Chief of the Business and Finance Section of the FBI Academy. He Served as a Special Agent for about 11 years after working, upon graduation from college, as an auditor with Ernst and Ernst, one of the "Big Eight" national auditing firms.

Mr. Hyland earned his B.S. degree in Accounting at Fordham University in New York in 1960 and a Master's degree in Business Administration at George Washington University in Washington, D.C., in 1972. He is a member of the American Institute of Certified Public Accountants and the New York State Society of Certified Public Accountants. He was the national president of the Association of Federal Investigators during 1981-1982, and continues to remain active in the organization.

FY 1987 BUDGET REQUEST

Mr. NATCHER. Thank you.

As you have pointed out to the committee, your 1987 budget request is for $41.485 million, which includes trust funds.

How does it compare with your original 1986 level, the request that we have before us in the 1987 budget?

Mr. HYLAND. The original 1986 request was $42.3 million, and we were reduced through the Gramm-Rudman by $1.8 million, and with the Treasury-Postal Service Appropriation reduction, another $266 thousand which brought us down to $40.262 million which is our current 1986 spending level.

Mr. NATCHER. As you have stated, a portion has been restored in the 1987 budget. What is the figure?

Mr. HYLAND. About $2.1 million.

GRAMM-RUDMAN EFFECTS

Mr. NATCHER. What effect will the 1986 Gramm-Rudman reduction have on your agency generally?

Mr. HYLAND. It will slow down certain activities, Mr. Chairman. On the audit side, we are going to curtail our oversight of the Single Audit Act, inasmuch as we are to provide technical oversight and quality control assurance of certified public accountants.

We would rather use that manpower that we would have used for oversight, quality control and technical assistance to do the critical work within the Department of Labor.

In the area of investigations, we will not fill four vacancies, and the effect of this will be just a growing backlog in our investigative cases.

In the area of organized crime, we are going to have to limit the use of travel, and the use of what we call administratively uncontrollable overtime. The effect of this will be added compensatory time for the investigators which will again just delay the timely completion of those investigations.

Mr. NATCHER. Will there be any employee furloughs?

Mr. HYLAND. I don't think so. We think that by not filling the vacancies that occur between now and the end of the year, that we can come within the boundaries of Gramm-Rudman.

Mr. NATCHER. Why did you take most of your 1986 reduction in your single audit activities, Mr. Hyland?

Mr. HYLAND. As I alluded to, Mr. Chairman, the Single Audit Act requires that CPA firms come in and audit the grantees. We need to give these CPA firms technical assistance and guidance. The IGs have been meeting with these firms that have been doing a lot of the work, and just to put it in the vernacular, they are big boys, they are professionals, they have the standards of the American Institute of CPAs. We are counting on them to come in and do these audits and comply with the AICPA standards, as well as the GAO standards.

We will still be performing limited desk reviews to make sure that their reports comply with the Single Audit Act.

What we will be cutting back on is doing the quality control work, where we would actually go out and review the work papers of the CPA firms.

In a sense, the Act requires that we check on the checkers, and I think in these austere times, the better payoff would be if I continue to do critical audit work within the Department of Labor for which there is no other audit oversight.

1985 AUDIT REPORTS

Mr. NATCHER. For the record, Mr. Hyland, provide for us a list of your most significant audit reports in 1985, not in detail, but just a list.

Mr. HYLAND. Be glad to, sir.

[The information follows:]

List of most significant audits in 1985:
Unemployment Insurance Experience Rating.
Federal Share of Unemployment Insurance.
OFCCP Can Do More Enforcement and Have Greater Impact Using Fewer Dollars.
Black Lung Self-Insured Employers.
FECA Chargeback System.
Monitoring of FECA's FECS Level II Development.
MSHA Followup on Prior Audit Findings.
Federal Employee/Unemployment Insurance Crossmatch.
Departmental Management of Indirect Costs.
Office of the Solicitor—Vulnerability in the Division of Employee Benefits.

MANAGEMENT COOPERATION

Mr. NATCHER. Are you aware that the GAO Management Report on the Labor Department pointed out that some program managers believe that Inspector General reports are not helpful in identifying and resolving problems? Are you acquainted with that, Mr. Hyland?

Mr. HYLAND. Yes, Mr. Chairman, I am.

Let me comment in this way: Prior to 1982, most of the audit activity within the Office of Inspector General was in the area of financial and compliance audits.

In that respect, we would go out and audit individual grantees to see that the expenditures of funds were in compliance of these programs. At that time, we had a great deal more interface with the program managers, particularly in the regions.

More recently, we have been involved in what we refer to as expanded scope audit activities. We are trying to look at these programs from a nationwide view, and in doing so, we report directly to the Assistant Secretaries back in Washington, to notify them of where they may have major deficiencies on a nationwide basis. So in that sense, we are addressing these problems to top management now, and not to the program managers as we did in the past.

Mr. NATCHER. Do you feel that you are getting good cooperation from departmental managers?

Mr. HYLAND. I do, sir. As you know, there has been transition within the last year.

The new Secretary, Secretary Brock, is putting in his management team. It is one of a more structured approach. Nonetheless, the Secretary is still available.

I think that we still have the cooperation of the front office, and we are still working to cement that relationship even further.

DEPARTMENTAL BUDGET PROCESS

Mr. NATCHER. Describe briefly now to the committee, if you will, the budget formulation process in the Department as it applies to your agency.

Mr. HYLAND. Okay, right now, Mr. Chairman, we have our own budget authority, and we implement that authority ourselves, as opposed to some of the other Inspector Generals that have either a line item, or who work through their agency or Department budget.

We go through the full process beginning with the first call from OMB, at which time we go through our planning, and submit to OMB our individual justification for each of the four component offices that I had mentioned.

I also discuss the budget with the Under Secretary, and some of the members of the Department's budget office, and that is rolled up with the Department submission to OMB.

I have a hearing with OMB in which the OIG's budget is discussed, in some detail, and with that, I get a passback just as every other agency within the Department of Labor, and once that passback is approved by the President, he submits it for your consideration and to the Senate.

Mr. NATCHER. Do you submit your request directly to the Secretary?

Mr. HYLAND. To the Under Secretary.

Mr. NATCHER. Are you satisfied with the budget process generally, as it applies to the Inspector General's Office?

Mr. HYLAND. Yes, sir, I am satisfied with the process. I think we get a very fair hearing.

CURRENT EMPLOYMENT

Mr. NATCHER. How many employees do you have on board at this time?

Mr. HYLAND. As of January 31, we had 553.

Mr. NATCHER. Will that remain about the same for 1987?

Mr. HYLAND. No, for 1987, we will have a cutback of about 36 positions, below the 1986 appropriated level.

Mr. NATCHER. Are you having difficulty in recruiting staff?

Mr. HYLAND. No, sir. A year ago, I mentioned that we were having problems. Since that time, we have been working with the Office of Personnel Management, and the acute problem I had at that time was with the Office of Labor Racketeering, and we were able to get Schedule B hiring authority from OPM to develop a direct register, where we can go out and recruit directly for the Office of Labor Racketeering.

As far as the Office of Audit is concerned, we have been trying to recruit entry-level people from the colleges, and it is still difficult to reach some of these people through the Register.

I think we have been, overall, quite successful in doing that, and right now, I feel very comfortable with the people we have on board.

Mr. NATCHER. Mr. Dwyer, I yield to you.

EFFECTIVENESS OF SINGLE AUDIT ACTIVITIES

Mr. DWYER. You mentioned that you were relaxing checking on the checkers. What has the past history been on checking on the checkers?

Has it been a cost-effective operation?

Mr. HYLAND. It has really been, I think, too short a time to develop a history. The Act was passed in 1984. Prior to that time, we did have a lot of contact with the CPA firms, and our contact was upfront.

We gave them as much technical assistance as we could, before they started the job. Overall, I think our record with the CPA firms has been better than some of the others.

GAO did a study and reported to Chairman Brooks, I believe, in November on the results of their surveys with the OIGs. They had no critical comments regarding our operation.

Mr. DWYER. Actually, there has been no average rate of return developed for each dollar spent in this area?

Mr. HYLAND. No, sir.

Mr. DWYER. Do you think there will be a loss of revenues?

Mr. HYLAND. I do. If you look at the nature of the Single Audit Act, its purpose is to give a broad-brush approach, whereas in years past, if we did the audits, we would go into some greater detail.

I think that there is more broader coverage out there, whereas in the past, when we gave it coverage, it was more specific, and more in-depth, and we went down into detailed records of the auditee, and did more compliance and testing.

I don't think you will see that with the Single Audit Act, and consequently, I think the costs disallowed will be reduced.

JOB TRAINING PARTNERSHIP ACT REVIEW

Mr. DWYER. I notice in your latest semi-annual report that you have completed field work on a review of the Job Training Partnership Act. Can you report any findings on whether these programs are serving their intended population?

I am thinking particularly of the disadvantaged youth. I have a feeling that the JTPA has not been reaching this group. You might want to comment on that.

Mr. HYLAND. Yes, sir. We are presently in the final stage of an audit in which we evaluated the eligibility of participants. I will defer to Mr. Peterson on that, as far as the current status of that particular audit.

Mr. PETERSON. Specifically, I cannot answer the question about disadvantaged youth. However, in the report that is now complete, we looked at whether or not the clientele were qualified for JTPA support, and we established an eligibility rate.

There was just a little over 2 percent of the participants being served who were ineligible to receive support through JTPA, but I cannot address specifically the disadvantaged youth.

Mr. DWYER. You had a 2-percent ineligibility rate. Why was that 2 percent ineligible?

Mr. PETERSON. They did not meet the requirements of the law, some part of it. Some were not registered for the draft. There were some other criteria not met. But just one other word. That is the

lowest rate of ineligible participants of any program we have ever checked, so it looks like JTPA is being delivered to eligible participants.

Mr. DWYER. How many ineligibilities would you find if you examined the participation of disadvantaged youth in the poor cities?

Mr. PETERSON. I don't know. This was a nationwide sample. We looked at 80 different providers. I think the sample was good, and the results are validated, but I could not address the disadvantaged youth.

Mr. DWYER. Our most persistent unemployment figures develop from that area.

Mr. PETERSON. We are currently expanding that effort, and later in 1986, we will have a report on the disadvantaged youth, as well as some other titles of the program, sir.

GRADE LEVEL OF OIG STAFF

Mr. DWYER. Thank you.

Thank you, Mr. Chairman.

Mr. NATCHER. What grade level is a journeyman auditor or investigator?

Mr. HYLAND. For the auditor, it is a grade 12. For the investigator, it is a grade 12. However, within the investigative field, we do have what we call a senior investigator, who is expected to lead the more complex investigations, and he is a grade 13.

TRUST FUND ACTIVITY

Mr. NATCHER. Why are you making a large shift of $2.454 million from general fund financing to trust fund financing in 1987?

Mr. HYLAND. Sir, that is not our doing. Basically, the law requires that any work that we do involving the administration of the trust funds be charged to those funds.

We have been devoting increasing activity to the Black Lung and the Unemployment Insurance Trust Funds, and based on that projected and past workload, those funds are charged for those activities. The actual dollar amounts are developed with OMB.

PRODUCTIVITY IMPROVEMENTS

Mr. NATCHER. On page 5 of the justifications, you show a reduction of $2.236 million, and 36 full-time employees for productivity improvements. What is the basis for this cut?

Mr. HYLAND. I don't think there is a basis for that, Mr. Chairman.

What that is was an across-the-board 2 percent, the 11 figure was a 2-percent productivity increase, which resulted in minus 11 slots.

The 25 reduction was specifically geared towards audit, and I think it was due to the belief that as a result of the Single Audit Act, there should be a reduction in the number of auditors within the OIG community.

Mr. NATCHER. What programmatic effect will this reduction have?

Mr. HYLAND. We are going to have to limit our audit menu. I say that because we have been in the business for seven years now, and

we are starting to learn the programs within the Department in intimate detail, and we see opportunities to do more audit work, and as a result, we just have to limit those opportunities.

I think we can still carry out our basic mission, and you might say that in this particular case, we are going to have to omit the desert.

We just have to do the basics. I don't think there are going to be any drastic changes where we won't be able to do those essential things that we are required to do.

AVERAGE GRADE

Mr. NATCHER. How will you achieve a lower average grade cost of positions as stated on page 5 of your justification?

Mr. HYLAND. Basically, we are concentrating on entry-level hiring from the colleges and universities. When the IG Office was first established, there was a propensity to go out and hire experienced grades 11 and 12 investigators and that was natural, based on the fact that you had no experience within the office.

Now, we have five, seven years' experience, and seasoned investigators and auditors, and as these openings come up, we feel we can bring in some grade 5s and 7s, and train them based on our policies and philosophies, and with that, as they gain experience, they will even be more competent, because they won't bring on board with them any bad habits picked up along the way. So it is turning our attention to the college graduate entry-level hiring.

AUDIT CONTRACTS

Mr. NATCHER. How much was originally appropriated for audit contracts in 1986?

Mr. HYLAND. $6.8 million, Mr. Chairman.

Mr. NATCHER. Probably a little higher than that, Mr. Hyland?

Mr. HYLAND. That was the bottom line. It went into compromise with the Senate, and as a result of that, we got $6.815 million, and then that was reduced further by $265,000 as a result of the Treasury-Postal Appropriation limitation on advisory and assistance services, so our net amount is $6.550 million.

Mr. NATCHER. How much was sequestered under Gramm-Rudman?

Mr. HYLAND. $1.8 million, but it has not impacted on the audit contracts.

Mr. NATCHER. What is your 1987 request?

Mr. HYLAND. $41.485 million.

Mr. NATCHER. No, just for the audit contracts.

Mr. HYLAND. $8.3 million.

Mr. NATCHER. On page 4 of the justifications, you show two different increases for contract audits. How do you explain that, Mr. Hyland?

Mr. HYLAND. The requested increase of $265,000 in audit contract funds restores the Section 515 Treasury-Postal Service Appropriation reduction imposed in FY 1986 by P.L. 99-190. The program increase of $1,164,000 was requested to provide adequate review of Departmental programs and activities.

AUDIT WORKLOAD

Mr. NATCHER. On page 12, you state that total audit staff years in 1987 will be 382, a reduction of eight from 1986.

How is it possible to increase the number of audits and reviews from 155 to 200, which is about a 29-percent increase, with a reduction in staff? How do you perform that?

Mr. HYLAND. The answer to that, Mr. Chairman, is we have a number of audits in the pipeline right now that will be coming to culmination during the 1987 time frame.

We will not be starting and completing all of those audits within the same fiscal year, so we will be getting in 1987 the fruits of our labor that we are currently performing right now.

Mr. GERMAN. That is a combined figure of Federal and audit contractor staff-years.

Mr. NATCHER. Mr. Dwyer, I yield to you at this point.

Mr. DWYER. No further questions.

Mr. NATCHER. What will be your main areas of audit concentration in 1987?

Mr. HYLAND. I think what we are looking at in some detail, Mr. Chairman, is the agencies within the Department of Labor that are involved in enforcement.

Up to now, we have been concentrating on the training activities with the Employment and Training Services, and on the Black Lung and the FECA in ESA.

We have just completed a survey on the Office of Federal Contract Compliance, and we are working right now in MSHA and OSHA.

This marks the first time we were able to direct some audit resources into those enforcement activities within the Department of Labor. That would be our primary shift.

The other area of concentration will be in the area of accounting and financial controls. Based on a government-wide GAO survey, they feel the Executive Branch is still very deficient in developing good solid accounting systems.

We will, and have started, to take some initiative to start looking at some of the 280 management information systems within the Department of Labor, and into their accounting systems as well, to see whether or not, number one, that they are performing a useful purpose, that they are recording information accurately and timely, and second whether or not we can make some improvements in those areas.

So, to sum up, two areas: One, the enforcement agencies; and two, the accounting and financial aspects.

WORKERS COMPENSATION PROGRAM

Mr. NATCHER. If you will now, describe your audit plans for the Office of Workers' Compensation Programs, just a little more in detail.

Mr. HYLAND. I will defer to Mr. Peterson on that one.

Mr. PETERSON. Our two primary efforts with that office currently are, first, we continue to put significant staff resources into reviewing their FECA Level II system, which has had certain problems and has been delayed over the past year.

And the second area where we have a considerable amount of resources is looking at the timeliness with which FECA is able to deal with their clients. There have been complaints that FECA has been very late getting those payments out, making the adjudications, and we are looking at that aspect of the office.

I see that continuing throughout 1986 and 1987.

Mr. NATCHER. What are your principal findings so far with respect to the so-called Level II ADP system in OWCP?

Mr. PETERSON. The system, Mr. Chairman, has had problems. We have done a good job reporting that to management, and management has attempted to take constructive action, based on our reports, in bringing that system up.

However, right at this minute, it is still questionable whether or not the system will ever really come up the way it was anticipated when ESA went on the street for that contract.

It has had significant problems from the beginning.

Mr. HYLAND. ESA has taken two steps in response to our reports, in that they have requested audit assistance from the Office of the Assistant Secretary for Management to review some of those areas that we had expressed concern with, especially the financial management system.

They have also retained outside assistance to ensure that the FECA Level II meets the GAO standards, and I don't have the final word. That work is still going on, but they have reacted positively to our concerns.

OFFICE OF INVESTIGATIONS' GOALS

Mr. NATCHER. What are your primary goals for the Office of Investigations in 1987?

Mr. HYLAND. Sir, similar to audit, up until more recent times, the Office of Investigations has been heavily concentrated into unemployment insurance frauds.

We still spend the greater proportion of time on unemployment insurance. However, we have been doing that at a much more significant level.

Last year, I believe I stated to Congressman Hoyer that we had uncovered a fictitious employer scheme whereby an individual would set up a phony company, and develop aliases and raid some of the UI funds in one State or a series of contiguous States.

Since that time, we have identified five or six unemployment schemes whereby the individuals were obtaining in excess of $1 million from some of these State funds.

We have also developed a clustering approach, whereby a United States Attorney might not consider one claimant of a UI fraud, but if we brought 40 or 50 to them, they consider that to be significant and possibly newsworthy, and they proceed on that, even if to have nothing but a deterrent effect.

As we have looked at other areas on the audit side, so, too, have we on the investigator side.

We have significant work going on with the Black Lung Program, whereby unscrupulous providers are servicing individuals with oxygen tanks that are not necessary. They are falsifying certificates of medical necessity.

We feel that this is a multi-million-dollar area, and we have 13 investigations ongoing in that area alone.

We have also directed a considerable effort to the Alien Certification Program, and I am not talking here about the low-paying jobs such as housekeepers or janitors, things of this nature. We have found there are a number of individuals, including attorneys, within the United States, who are falsifying documents to the Department of Labor in order to find jobs for aliens in such areas as the physical sciences, the medical sciences. As a result, they are filling these jobs at salaries of $18,000 to $25,000, which no American could afford to take.

We have extensive work in the Alien Certification Program. I think that is basically the thrust right now. In addition, we have started a joint survey with our investigators and our auditors into the JTPA program, and we will be conducting this survey for 10 weeks. I expect that as a result, we will be coming up with a number of investigations in the JTPA.

JOB TRAINING INVESTIGATIONS

Mr. NATCHER. We see on page 24 that you are projecting a substantial increase in job training investigations. What are you looking for in this area?

Mr. HYLAND. Right now, Mr. Chairman, we have 44 pending investigations in the job training area. The one approach that we take now is that instead of just looking at an investigative matter and working that matter, and presenting it to the United States Attorney and walking away, we try to assimilate whatever information we have nationwide, and to see whether or not there is a systemic problem, just as I mentioned with the durable medical providers on the Black Lung Program.

That was a single case that was brought to our attention, and after examining that case, we saw that there are other symptoms involving other companies, and now, as I say, we have 13 investigations in Black Lung.

The same is true with the JTPA. As the feedback comes back to our office, we feel that there is a definite problem in the contracting requirements, that there is not arm's length negotiating going on between the grantees and the grantors.

This is, I guess you might say, gut reaction, or intuitiveness on the part of the investigator, but there is enough smoke out there, where we feel there is something going on, and as I say, this survey started yesterday.

I expect in six or eight weeks, we will have a pretty good handle on that, but nonetheless, as of right now, we have 44 ongoing cases with the JTPA. I think that is going to be the next significant area.

The program started in 1983, and so, we are sort of letting the dust settle to see what is going on, and I think it is timely that we gave it a good look, which we are starting right now.

OFFICE OF LABOR RACKETEERING

Mr. NATCHER. In the Office of Labor Racketeering, you are projecting an increased number of investigations, but a reduction in staff. How will you achieve this?

Mr. HYLAND. Two ways, Mr. Chairman. We have closed some of our smaller offices, basically where we had just one investigator.

We have consolidated our strength in some of the major offices on the East Coast, such as Philadelphia, Newark, Atlantic City and New York.

We also feel that by bringing the Office of Labor Racketeering closer to the IG support functions, we will be able to give them support services that they have not had available to them in the past, basically very simply, word processing, things of that nature.

We are expecting to get a better return on productivity, particularly because of the use of microcomputers that we have exposed our investigators to.

It might not be widely recognizable, but these types of cases, even though they are organized crime, are paper trail cases, and we hope that with the technology of the microcomputers, we can speed up the time that it takes investigators to work this type of case.

COORDINATION OF PENSION INVESTIGATIONS

Mr. NATCHER. How do you coordinate your work with the Pension and Welfare Benefits Administration? Any overlap here?

Mr. HYLAND. No overlap at all, sir. You can cut it right down the middle. Pension Welfare will handle the civil side, and we will handle the criminal side.

We have been working—as you may know, they have brought on a new Assistant Secretary recently, and the whole area of law enforcement within the Department of Labor is under study by the Under Secretary, and we are trying to formulate a new memorandum of understanding.

But to answer your question very simply, there is no overlap, because of a basic understanding, they will handle the civil matters, and we handle the criminal matters.

FEDERAL MANAGERS' FINANCIAL INTEGRITY ACT

Mr. NATCHER. What involvement does the Office of Inspector General have with the annual report to Congress required by the Federal Managers' Financial Integrity Act?

Mr. HYLAND. We have a dual role in that matter. We act as advisor to all the agencies within the Department, as they go through the process of developing their report to the Under Secretary.

In that process, we advise the Under Secretary of any outstanding recommendations that we have found, and also any recommendations that might exist from GAO.

We also act as a technical advisor to assist them in conducting their own vulnerability studies. After the Assistant Secretaries each report to the Secretary, we review those reports, and then I have an obligation, if I don't agree with those reports, to write a separate letter to Congress.

Up to now, I have not had to take up that option. I think the letter that the Secretary has sent to the President has contained all the material weaknesses as required by the law.

ADP ACTIVITIES

Mr. NATCHER. Are you proceeding with your network of mini-computers, or have you put that on hold for awhile?

Mr. HYLAND. No, sir, we are proceeding with that. The one problem that we have now is with linking those mini-computers in the regions, lack of a teleprocessing network, and we are trying to resolve that in the Department currently.

We have each of our six regional offices being served with the mini-computers which provided the word processing for the support help, as well as the technical support for professionals, use of spread sheets, things of this nature.

Mr. NATCHER. I see on page 35 a proposed reduction of $707,000 relating to ADP activities. What is the effect of this, Mr. Hyland?

Mr. HYLAND. This is going to be very tight, Mr. Chairman.

This is probably one of the most difficult parts about my job, and that is to plan ahead. As I mentioned, we were discussing getting teleprocessing to support those mini-computers.

If I sustain a cut of this magnitude, we would be obliged contractually to continue with the teleprocessing, and that might mean, if I get future vacancies, I won't be able to fill them.

The other effect will be on the ADP support contracts where we get service bureaus to assist audit, and some of the reviews of major data banks.

SPACE RENTAL

Mr. NATCHER. You are requesting a space rental increase of 23 percent in 1987. As you know, you had an increase of about 27 percent in 1986.

Are you acquiring considerable space, a lot of new space, or what is the problem?

Mr. HYLAND. I wish I knew. That is a billing that we receive from GSA, and I am tempted to turn loose my auditors to examine those billings.

The truth of the matter is that we have reduced our space from what was almost 200 square feet per employee to about 140, and we have, I think, made a very good example for the rest of the Department in using our space sparingly.

I have put into effect a major co-location program where we have our offices contiguously situated, so that we can share such things as one reception room, one steno, things of this nature.

It is just that the rates that GSA is billing have escalated with the lifting of the freeze on these charges. It is way beyond our control, but we are going to look into those computations. We actually have far less space now than we had three years ago.

Mr. DWYER. No further questions, Mr. Chairman.

Mr. NATCHER. Mr. Hyland, we want to thank you and your associates for appearing before our committee at this time. It has been a good hearing, Mr. Hyland.

The committee will now recess until 2:00 this afternoon.

[The following questions were submitted to be answered for the record:]

GRAMM-RUDMAN IMPACT

Mr. Conte: Mr. Hyland, your office is slated for about $1.6 million in reductions under Gramm-Rudman. Can you provide us with a chart outlining for each of your operating units those activities that will be reduced, delayed or cancelled as a result of this Act?

Mr. Hyland: The Gramm-Rudman reduction in our Office of Audit (OA) is $1,036,000 and 24 FTEs. For FY 1986 OA had planned to devote 26 FTEs to the quality control and review of audits performed under the Single Audit Act of 1984. This will be reduced from 26 FTEs to 2 FTEs, eliminating technical assistance to state and local governments and independent auditors, quality control reviews and oversight of the resolution of cross-cutting findings. OA's role will be reduced to ensuring that audits conducted are reported.

A reduction of $290,000 for our Office of Investigations (OI) will result in a reduction of 4 FTEs affecting Unemployment Insurance (UI), Federal Employees' Compensation Act (FECA), and Employment and Training Administration-Comprehensive Employment and Training Act (ETA-CETA) prime investigations. UI investigations will be reduced by 29 completed investigations, FECA by 11 and ETA-CETA prime by 12.

A reduction of $272,000 in the Office of Labor Racketeering (OLR) budget will mean a reduction in travel and administratively uncontrollable investigative overtime which likely will delay completion of OLR investigations.

A reduction of $211,000 and 3 FTEs for Executive Direction and Management will increase the response time for personnel and administrative services.

Mr. Conte: Is there any way for you to project how much these reductions will cost us in terms of program recoveries, undetected program abuse, and missed opportunities for prosecution?

Mr. Hyland: As documented in the Semiannual Reports of the Inspector General covering FY 1985, audit activity resulted in $186,481,856 in questioned costs and costs recommended for disallowance and $73,283,444 in disallowed costs. By prorating those results we can estimate that the Gramm-Rudman reduction in funding for the Office of Audit of $1,036,000 could result in losses of $7,351,563 in questioned costs and costs recommended for disallowance and $2,891,186 in disallowed costs. There is no way to project the lost savings that would result from resolution of identified internal control deficiencies.

A reduction of 52 investigations completed might reduce recoveries, restitutions, settlements and cost efficiencies by $608,190.

CHANGING OIG OVERSIGHT PRIORITIES

Mr. Conte: Laying aside the effects of Gramm-Rudman in this fiscal year, your justifications show that overall funding for the Office of the Inspector General has steadily decreased over the

last 4 or 5 years. Can you tell us in what ways your oversight priorities have changed in the past 5 years, and which areas are now receiving less attention than they were then?

Mr. Hyland: Five years ago the audit program of the Office of Inspector General was essentially a CETA audit program. Over 80 percent of the audit resources were devoted to financial and compliance audits and almost all of those were in the CETA program.

Over the past 5 years there has been planned, directed change that has developed our audit program into a departmental audit program with some 80 percent of our resources committed to expanded-scope program operations and results audits. In FY 1986 our audit program covers almost all the departmental agencies with special emphasis on the big dollar programs and programs and activities which are especially vulnerable to fraud, waste and abuse.

We have committed substantial audit resources to departmental ADP, procurement and financial management activities. These areas have been identified as being especially vulnerable by our own audit work, Congressional oversight hearings and the General Accounting Office (GAO). We will continue our heavy involvement in these areas.

In FY 1987 and the years beyond, we will see further planned evolution in our audit program. We will continue our broad coverage of the department's programs and activities; and based upon extensive survey work, we will develop and implement 5-year audit programs for major departmental agencies and activities. We began this effort with the Office of Workers Compensation Programs (OWCP). Now we are ready to begin work in the Employment and Training Administration (ETA), the Occupational Safety and Health Administration (OSHA) and, when resources are available, we will start in the Employment Standards Administration (ESA).

Together with that major change in our audit program, we have introduced significant changes in how we do our business, especially by the introduction of computers into our auditing. The resulting improvements in productivity have enabled us to give virtually all areas of the department fuller coverage than they received 5 years ago -- but less than we would like to give them.

During the past 5 years, the Mine Safety and Health Administration (MSHA) and the Occupational Safety and Health Administration (OSHA) Compliance Programs have received less oversight from the Office of Investigations because, with limited resources, our efforts were concentrated on the areas with greater fraud, waste, abuse and monetary recovery of embezzled funds such as CETA and FECA. We now are trying to address that situation with a more balanced investigative approach to the Department's programs which also will include more complex cases.

GAO REPORT

Mr. Conte: As you know, one of your office's mandates is to oversee the economic and efficient function of the department itself. Recently the GAO released a huge report on dozens of management deficiencies that needed to be improved. Can you tell

us your thoughts on this study, and in what ways your office has in the past sought these same kind of management improvements?

Mr. Hyland: The objectives of GAO's management review was to conduct a department-wide assessment of management systems and administrative support functions and develop specific recommendations showing how top management can bring about and sustain needed improvements. GAO's specific objectives were to:

(1) assess Labor's organization and systems for identifying and resolving emerging issues,

(2) assess activities and systems that were designed to minimize vulnerability to mismanagement and provide top managers with current and reliable information on operations, and

(3) determine whether the department has managed its administrative support systems (such as financial management, procurement, and ADP) to provide timely and accurate financial data for control over appropriated funds and other services necessary for effective program delivery.

Among the information sources GAO looked at were Inspector General reports and other internal evaluations of operations, such as those required by the Federal Managers' Financial Integrity Act. As a result, many of the problem areas reported by GAO had been previously reported by OIG.

GAO identified 10 major problem areas, 7 of which had been previously reported as problem areas by the Office of Inspector General as follows:

Major Problem Area Cited by GAO		Previously Cited by OIG
I.	ERISA Enforcement	x
II.	Expediting the Regulation Process	x
III.	Procurement Management	x
IV.	Information Resource Management	x
V.	MSHA Inspections	x
VI.	JTPA Oversight	x
VII	Unemployment Insurance Oversight	x
VIII.	Workforce Planning	
IX.	Accounting Controls	
X.	Stronger Secretarial Direction	

PENSION PLANS

Mr. Conte: One area that I am glad to see receiving more attention in recent years is the pension plans for our nation's workforce. Can you give us your best estimate of the total amount of money contained in pension plans in this country?

Mr. Hyland: The importance and pressing nature of devoting adequate resources to the oversight of the nation's pension plans can be seen from the following statistics reported by DOL's Pension and Welfare Benefit Administration (PWBA):

-- 915,000 pension plans,

-- 4.5 million welfare benefit plans,

-- 266 million participants (many persons are covered by more than one plan),

-- approximately $1 trillion in plan assets, and

-- plan assets estimated to grow to $3 trillion by 1995.

Mr. Conte: What percentage of your resources are given over to investigations on the abuse of these plans?

Mr. Hyland: In the audit area we will devote 4 staff years and one-half million dollars in audit contract funds to PWBA in FY 1987. In the investigative area, our Office of Labor Racketeering (OLR) will devote approximately 65 percent of its resources: this commitment represents 12 percent of the Inspector General's total staff.

Mr. Conte: Do you have estimates on the percentage of potentially corrupt plans that your office can actually investigate?

Mr. Hyland: The area of richest investigative potential within benefit plans lies in the population of approximately 6,500 multiemployer pension, health and welfare benefit plans that have 100 or more participants. Given OLR's number of special agents and the protracted nature and complexity of benefit plan investigations, a small percentage of potentially corrupt benefit plans are investigated by OLR. OLR is in the process of designing computer models that should be able to project with some degree of statistical accuracy those plans that appear most vulnerable to racketeering activity.

ORGANIZED CRIME INVESTIGATIONS

Mr. Conte: Your office also conducts a number of programs aimed at uncovering the influence of organized crime. How effective would you say these programs are?

Mr. Hyland: Our programs are designed to identify traditional and emerging racketeering groups that control certain labor unions and use these labor unions to create monopolies in certain industries. Our program has identified four basic areas most vulnerable to such criminal incursions: benefit plans, construction, garment and waterfront. We believe these programs are effective because they are implemented through strategic planning designed to address systemic corruption in industries rather than to focus on isolated criminal acts.

Mr. Conte: Can you describe for us some of the methods you use to uncover racketeering by organized crime, or are most of your operations in this area secret?

Mr. Hyland: OLR investigative techniques and strategies are developed from formal short and long range plans that provide OLR with a systematic enforcement approach. Some techniques and strategies are in fact covert or secret in nature. Most of the

methods, however, are derived from extensive analysis and research within lines of industry and examination of transactions in the labor-management field as well. Traditional techniques frequently used include consensual monitoring of conversations to corroborate allegations of criminal violations, surveillance, development of informants, interviews of witnesses and interrogations of subjects.

PRESIDENT'S COMMISSION ON ORGANIZED CRIME

Mr. Conte: Do you have any contact with the President's Commission on Organized Crime?

Mr. Hyland: In its report on labor racketeering, the Commission used OLR's enforcement strategies as the model for its principal enforcement recommendations of a marketplace strategy based on an industry by industry approach. Since its inception, OLR has achieved significant convictions of notorious racketeers and has established itself as the cutting edge in conceptualizing and developing a vigorous national enforcement program designed to identify racketeering in employee benefit plans, labor management relations and internal union affairs. Within this context, we have in fact identified and focused on those industries most vulnerable to labor racketeering and did provide the commission with our testimony during its hearings.

BLACK LUNG INVESTIGATIONS

Mr. Conte: Under the Office of Investigations, your justifications specifically mention problems in the Black Lung Program. Can you describe the nature of these problems for us and the steps you are taking to address them?

Mr. Hyland: In Fiscal Year 1984 Black Lung medical benefits and treatments totaled over $116 million of which over $7.7 million represented rental or purchase payments made by DOL to providers of durable medical equipment for oxygen-related equipment used by qualified black lung victims. Payments to providers are made based on the receipt and approval of a Certificate of Medical Necessity used to certify that a miner is medically qualified for and in need of supplemental oxygen.

The Atlanta Regional Office utilized a new approach to correct provider billings within the Black Lung Program. The approach involved an extensively controlled retesting of miners previously certified as eligible for oxygen-related equipment. The retesting approach has been expanded to include the Philadelphia Region.

The retesting disclosed that approximately 90 percent of those tested did not qualify for benefits. Program officials have taken immediate steps to remove those found not qualified from the program. This has resulted in over $1.6 million in cost effectiveness realized. In addition, the amount of overpayment in one provider case alone has been determined to be at least $2.1 million and efforts to effect recovery are currently underway.

To date, several recommendations have been made to The Division of Coal Mine Workers' Compensation (DCMWC) program officials concerning: (1) accepting arterial blood gas tests only

from DOL authorized providers, (2) enacting "kick-back" or "referral fee" statutes for goods or services paid for by Black Lung funds, (3) studying cost of purchase vs. rental of oxygen-related equipment, (4) amending the Certificate of Medical Necessity to include a "false statement" provision for the physician, and (5) applying regulatory requirements for arterial blood gas test results to those used in the approval of the Certificate of Medical Necessity. DCMWC program officials have taken action on some of these recommendations and are studying the others in an effort to reduce the fraud vulnerability within the program. One Black Lung office has applied the standards in recommendation (5), and has realized a 95 percent declination rate on approval of oxygen concentrators. With an estimated Fiscal Year 1986 budget of approximately $983 million, the Black Lung Program is clearly an area of continued concern to this office.

In addition to the problems identified by my Office of Investigations, my Office of Audit has reported a problem regarding the Black Lung Self-Insured Employers Program. We first reported this problem to the Employment Standards Administration (ESA) in an August 1985 draft report and then in our final audit report dated October 31, 1985.

Our review disclosed that, for the last 4 years, 5 of the 127 self-insured coal mine operators have been allowed to retain self-insured status while being collectively underbonded by $116 million according to the required bonding levels established by ESA. Moreover, ESA has repeatedly failed over the last 4 years to enforce established indemnity bonding levels for these five companies and revoke their participation in the optional self-insurance program when they failed to obtain the required amount of indemnity bonding.

To prevent the appearance of favoritism and to ensure the payment of benefits by "self-insured" employers, we recommended that ESA review the bonding levels established for the five companies and either (1) devise a new bonding requirement formula for all applicants for self-insurance or (2) enforce established or adjusted indemnity bonding requirements by revoking participation in the optional self-insurance program when companies fail to obtain an indemnity bond in the required amount. The Deputy Under Secretary for Employment Standards agreed to implement our recommendations. However, this has not yet been accomplished.

Mr. Conte: Has the corruption in this program decreased since Congress tightened the eligibility standards?

Mr. Hyland: The tightening of the eligibility standards contained in the 1981 Amendments to the Black Lung Benefits Act drastically reduced the number of Black Lung claims approved for initial benefits. As a result, the number of instances of fraud and abuse were likewise reduced. Black Lung program officials have advised that in 1981, 12,605 claims were filed and 5,148 were approved. With the implementation of the stricter eligibility standards, in 1982 they approved only 1,145 of the 10,931 claims filed. In 1984, this had been reduced to approval of 556 of 11,768 claims filed.

Correspondingly, in FY 84 we opened 31 claimant/beneficiary investigations and closed 23, resulting in 12 indictments and 12 convictions. In FY 85 we opened 24 cases and closed 17, with 5 indictments and 4 convictions.

The on-going major investigative activity of our Office of Investigations in the Black Lung Program has concentrated on the providers of durable medical equipment, i.e., oxygen concentrators and related equipment, and has not involved the initial eligibility of a miner for compensation benefits.

To assess DCMWC's implementation of the Black Lung Benefits Amendments of 1981, our Philadelphia Regional Audit Office has initiated two reviews. The purpose of these reviews is to determine (1) if claimants who filed under the 1981 Amendments and are receiving Black Lung benefits are, in fact, eligible for the benefits and (2) if DCMWC's monitoring of widows' benefits and termination of deceased claimants' benefits are sufficient to prevent unnecessary overpayments.

The more important evidentiary and benefits changes of the 1981 Amendments include:

(1) Repeal of the following 3 presumptions used in establishing eligibility for benefits:

   (a) the 25-year (coal mine employment prior to June 30, 1971) rebuttable presumption for survivors of miners who died before March 1, 1978;

   (b) the 15-year rebuttable presumption for miners with respiratory of pulmonary impairment;

   (c) the 10-year rebuttable presumption for survivors of miners who die as a result of respirable disease.

(2) Eliminates restrictions on DOL's authority to use a second opinion on chest x-rays.

(3) Eliminates benefits to survivors for unrelated deaths.

(4) Reduces Black Lung benefits for excess earnings as determined under the Social Security Act.

(5) Prohibits use of "interested party" affidavits to support a claim.

UNEMPLOYMENT INSURANCE PROGRAM

Mr. Conte: In your latest report to Congress you observed that financing the Unemployment Insurance program has shifted to a "Socialized System." Can you explain what you found, and what specific legislative recommendations you have made as a result of your findings?

Mr. Hyland: Sections 3302(b) and 3303(a)(1) of the Internal Revenue Code promote financing of the Unemployment Insurance (UI) Program through the application of an experience rated tax on employers. An experience rated tax assigns higher levels of tax to employers who have greater experience with employee layoffs.

The intent of promoting experience rating in the UI tax system, as promulgated by the Social Security Board in 1940 and more recently by the Employment and Training Administration in 1983, is:

(1) the prevention of [planned lay-offs and other employer-caused] unemployment by inducing employers to stabilize their operations and thus their employment, and

(2) the equitable allocation of the costs of compensable unemployment.

We audited 12 states in 1983 to determine whether the objectives of experience rating were being met. We found a significant increase in socialized benefit costs -- that is, costs shared equally by all employers regardless of their actual experience with unemployment -- over the 14-year audit period. From 1970 to 1983, the percentage of benefits charged back to individual employers responsible declined from 51 percent to 36 percent. We also found that employer participation in the system through questioning and appealing benefit rights of former employees declined proportionately with the increase in costs assigned to the employer population as a whole.

We made no legislative recommendations as a result of our audit. We did, however, recommend that the Employment and Training Administration revise its reporting system to make meaningful experience rating data available for public decision-makers. Our recommendation was to:

(1) Revise and update the ES-204, Experience Rating Report to provide for:

(a) reconciliation to the state's trust fund,

(b) employer account balances, and

(c) employer tax contributions.

(2) Develop an index from this data to measure the degree of experience rating existent in the states' unemployment insurance tax systems.

(3) Publish the index for public consumption.

In recommending an experience rating index, we took no position on establishing a federal standard or stipulating a precise degree of experience rating as optimal. Our recommendation to establish an index is based on a two-fold need for experience rating information by the department and the public at large.

First, in order for the Secretary of Labor to fully discharge his responsibility to annually certify that state UI laws are in conformity with federal requirements as mandated by the Federal Unemployment Tax Act (FUTA), additional experience rating information is necessary. For example, a portion of this certification attests to the fact that a state's UI tax system is

experience rated if that state grants its employers an additional credit against federal unemployment tax liability. Currently, the Secretary has no measure by which to make this determination. Establishing an index would at least provide the Secretary with the relative degree of the state's experience rating levels.

A second, more universal need is that of the nation's employers in determining the UI tax structure by which benefits are paid to their former employees. Currently, an information gap exists to the extent that UI laws are often amended without consideration of the effect the amendments may have on both equitable distribution of the tax burden and the degree of experience rating existent within a state's overall UI tax system.

While implementation of an index will not completely inform the public of the degree of cross-industry and cross-employer subsidizations as outlined in our audit report, it will reflect the degree to which benefit charges as a whole are being socialized across the entire employer population. It is only with information such as this that truly informed decisions can be made regarding a state's UI tax structure.

The following letter from the Council of State Chambers of Commerce, selected from over 200 letters received, illustrates employer and trade organization sentiments on the issue.

Chairman
John W. Walls
President
Indiana State Chamber of Commerce

Vice-Chairman
James Blundell
President
Michigan State Chamber of Commerce

Secretary
Bob W. Pittman
President
Mississippi State Chamber of Commerce

Treasurer
Lowell Reese
Executive Vice President
South Carolina Chamber of Commerce

COUNCIL OF STATE CHAMBERS OF COMMERCE

WASHINGTON RESEARCH OFFICE:
122 C STREET, N.W. • SUITE 200 • WASHINGTON, D.C. 20001 • (202) 484-8103

President
William R. Brown

October 10, 1985

85012167

The Honorable William E. Brock
U.S. Secretary of Labor
U.S. Department of Labor
200 Constitution Avenue, N.W.
Washington, DC 20210

Dear Secretary Brock:

I would very much like to commend to your attention and careful consideration for implementing the recommendations contained in the Audit on U.I. Experience Rating; Audit Report No. 03-3-203-03-315, conducted by the Assistant Inspector General for Audit of the U.S. Department of Labor.

These recommendations, if implemented by the Department of Labor, and with the Department of Labor's leadership, would help revitalize the experience rating tax system so that it could better perform its originally intended purposes of stabilizing and encouraging employment. This will work to the benefit of all parties concerned, including employer, employee and the general public.

We would be pleased to work with you in any efforts to carry out the recommendations of this report.

Sincerely yours,

William R. Brown

William R. Brown
President

WRB/cgs

DEBT OWED DEPARTMENT OF LABOR

Mr. Conte: What is the total amount of debt currently owed to the department?

Mr. Hyland: The total debt owed to the department as of September 30, 1985, was $562,771,000. An update through March 31, 1986, will be included in the Inspector General's next Semiannual Report.

Mr. Conte: In which programs or areas do these debts mainly arise?

Mr. Hyland: The breakdown of that debt by agency follows.

SUMMARY OF ESTIMATED DEPARTMENT OF LABOR RECEIVABLES
(Dollars in Thousands)

Program Name	Outstanding Receivables 9/30/85 1/	Delinquencies 9/30/85 2/	Adjustments/ Write-offs 9/30/85 3/	Under Appeal 9/30/85 4/
Employment Standards Administration Federal Employees' Compensation Act -beneficiary/provider overpayments	$ 23,996	$ 8,616	$ 3,000	$ 9,622
Black Lung Program -responsible mine operator reimbursement, beneficiary/provider overpayments	176,788	52,989	(851)	123,799
Employment & Training Administration -disallowed costs, outstanding cash balances, grantee overpayments	290,771	289,986	12,100	231,989
Mine Safety & Health Administration -mine operator civil penalties	8,984	8,984	1,300	-0-
Pension Benefit Guaranty Corporation -plan assets subject to transfer, employer liability, accrued premium income	55,421	10,581	83,061	-0-
All Other Agencies	6,811	6,806	1,509	3,837
Totals 5/	$562,771	$377,962	$100,119	$369,247

1/ Includes amounts identified as contingent receivables that are subject to an appeals process that can eliminate or reduce the amounts identified.

2/ Any amount more than 30 days overdue is delinquent. Includes items under appeal and not in collection mode.

3/ Includes write-offs of uncollectable receivables and adjustments of contingent receivables as a result of the appeals process and reclassification of disallowed cost based on documentation submitted after audit resolution.

4/ Currently under appeal to an Administrative Law Judge.

5/ Agencies of the Department estimate that actual recoveries of accounts receivable for the period are $99 million.

OIG RECOVERIES

Mr. Conte: Can you give us some examples of some of the larger recoveries you have achieved in the last year?

Mr. Hyland: Our ongoing audit of the Federal Share of the Unemployment Compensation Program will review 45 state agencies. In the first six states on which we issued reports we disclosed that those six states had overclaimed the federal share of unemployment benefits by approximately $8.8 million with further interest costs to the federal government through June 30, 1984, of $1.5 million. Those six states immediately agreed to refund $7.6 million to the federal government. In an additional eight states, we have recommended for disallowance or identified as questionable costs an additional $45 million dollars. We have yet to audit and issue reports on 31 state agencies.

In our nationally coordinated phasedown reviews of the CETA program we recommended immediate recovery of $65.7 million in residual cash balances or improper program charges. We reported an additional $159.7 million to ETA for their use in ensuring that prime sponsors were properly considering all assets and liabilities in the closeout process. We expect additional refunds to DOL from the disposition of these issue areas.

During FY 85 investigative recoveries occurring through legal actions instituted as a result of investigations by the Office of Investigations totalled over $8,136,800. Some of the more notable examples follow.

(1) An 18-month joint investigation conducted in cooperation with the FBI, IRS, Naval Investigative Service and DOL's Wage and Hour Division resulted in the return of a 79-count indictment against a construction company, its president, and the secretary/treasurer charging criminal conspiracy, false statements, mail fraud, tax evasion and RICO violations for their part in a scheme to defraud the government on military construction projects in Hawaii. On April 29, 1985, the U.S. District Court in Honolulu ordered the company and its president to forfeit all of the company's property, valued at approximately $1 million, to the federal government. The president was also personally fined $63,000 and sentenced to serve 4 years in prison.

(2) During FY 85 a check in the amount of $1,007,000 was received by Regional ETA officials in New York City as a result of an investigation into the alleged fraudulent use of CETA funds. Our investigation established that Opportunities Industrialization Center, (OIC), New York, New York, withheld non-contributory employee pension plan funds amounting to over $1 million, all of which had been provided through CETA funding. A review and audit of bank accounts held by OIC determined that poor systems of control permitted commingling of OIC and CETA funds and other administrative practices which resulted in the failure by OIC to properly allocate the pension fund payments. The investigation did not reveal criminality by any officials associated with OIC.

(3) On January 22, 1985, the sister of a former fiscal payment clerk in the Division of Federal Employees' Compensation pled guilty to eight counts of theft of government funds, thus completing the criminal proceedings in a major employee integrity

case which included the fiscal payment clerk and one other accomplice. She had received over $200,000 in fraudulent OWCP checks from her sister who had submitted dozens of phony applications for compensation payments. On March 4, 1985, she was sentenced to 18 months' imprisonment, 5 years' probation consecutive to her incarceration, and ordered to make restitution in the amount of $46,555.20. In addition, a civil order for summary judgement against her in the amount of $1,491,267.22 had previously been issued on September 27, 1984. As of January 31, 1986, DOL has received $373,188.86 in cash money as a result of this investigation.

(4) An investigation of allegations concerning the embezzlement of JTPA/CETA funds resulted in the recovery of $251,955 from the administrative assistant, Yakima Indian Nation, Toppenish, Washington. Our investigation established that the administrative assistant embezzled the funds between March 1982 and September 1984. Following the indictment, the administrative assistant entered a guilty plea and was sentenced to serve a 6-month jail term, placed on 5 years' probation and ordered to make full restitution to the Yakima Indian Nation.

Additionally, the Regional ETA Grant Officer agreed with the results of our investigation and disallowed claims for current funding by the Yakima Indian Nation in an amount equaling the established embezzlement.

(5) After our investigation disclosed that a construction corporation purposefully underbid federal painting contracts in California to assure that it would receive the award and then submitted false certified payrolls reflecting payment to employees at the prevailing wage rate, on June 6, 1985, the corporation's president, vice-president and superintendent were each placed on 5 year's probation, debarred from doing business with the federal government for 5 years and equally held responsible for paying approximately $253,949.40 in restitution to former employees for underpaid wages. The corporation was also fined $2,000 and debarred for the same 5-year period.

HIRING QUALIFIED PERSONNEL

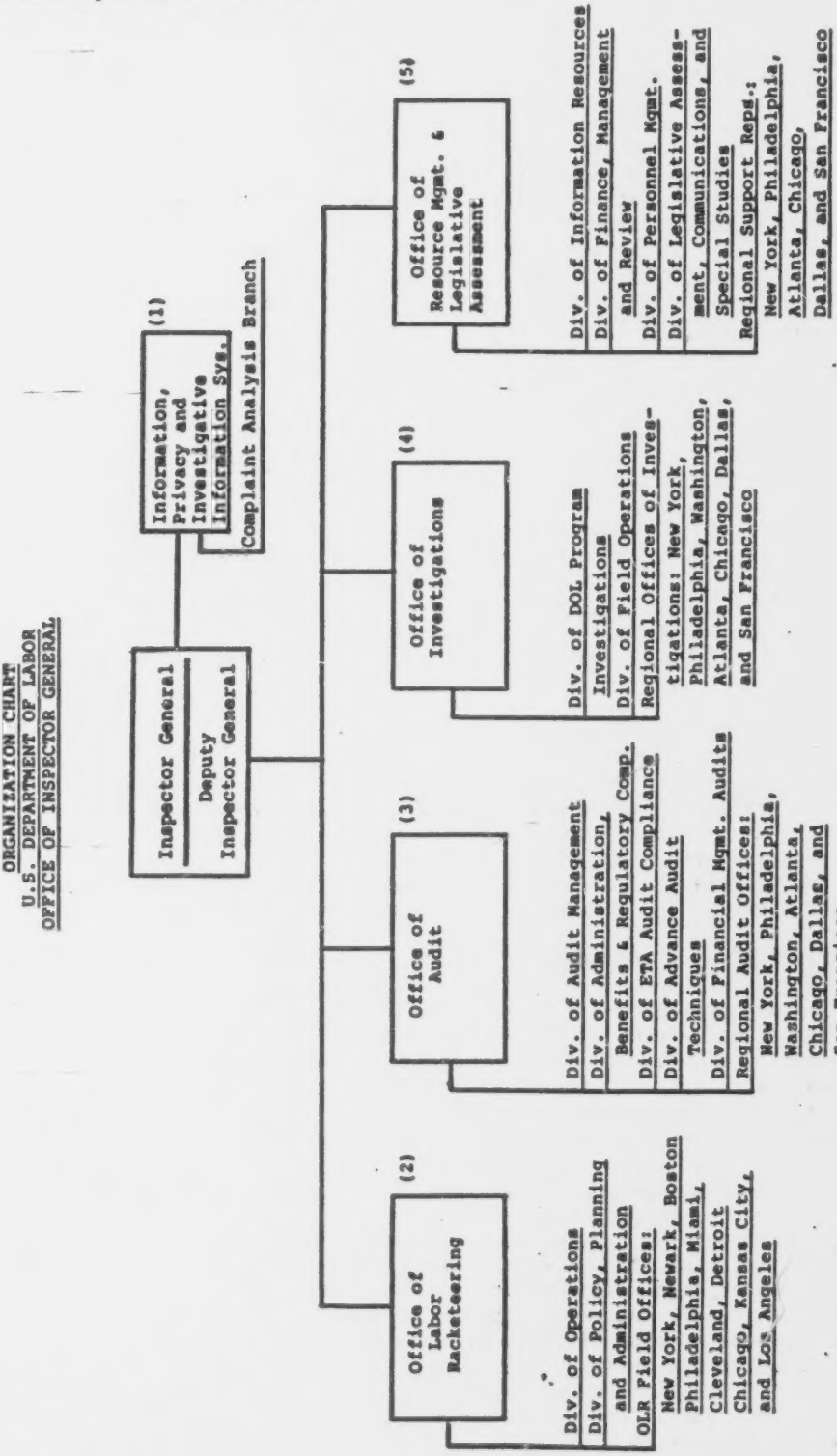
Mr. Conte: You mentioned last year that you had experienced difficulties in hiring qualified personnel for your office. Has that situation improved any?

Mr. Hyland: Yes. Our Office of Labor Racketeering now is able to hire special agents by using the Excepted Service, Schedule B, personnel procedures through authorization from the Office of Personnel Management. This authorization enables us to maintain the high prerequistites for OLR special agent employment by identifying the specialized skills and selecting qualified applicants.

OIG ORGANIZATION

Mr. Conte: From reading your justifications I am a little confused about the structure of the IG's office. Can you provide us with an organizational chart showing the function of each unit and the chain of command?

Mr. Hyland: Certainly. An organizational/functional chart with explanation follows.


ORGANIZATION CHART
U.S. DEPARTMENT OF LABOR
OFFICE OF INSPECTOR GENERAL
Inspector General
Deputy Inspector General
(1)
Information, Privacy and Investigative Information Sys.
Complaint Analysis Branch
(2)
Office of Labor Racketeering
Div. of Operations
Div. of Policy, Planning and Administration
OLR Field Offices: New York, Newark, Boston Philadelphia, Miami, Cleveland, Detroit Chicago, Kansas City, and Los Angeles
(3)
Office of Audit
Div. of Audit Management
Div. of Administration, Benefits & Regulatory Comp.
Div. of ETA Audit Compliance
Div. of Advance Audit Techniques
Div. of Financial Mgmt. Audits
Regional Audit Offices: New York, Philadelphia, Washington, Atlanta, Chicago, Dallas, and San Francisco
(4)
Office of Investigations
Div. of DOL Program Investigations
Div. of Field Operations
Regional Offices of Investigations: New York, Philadelphia, Washington, Atlanta, Chicago, Dallas, and San Francisco
(5)
Office of Resource Mgmt. & Legislative Assessment
Div. of Information Resources
Div. of Finance, Management and Review
Div. of Personnel Mgmt.
Div. of Legislative Assessment, Communications, and Special Studies
Regional Support Reps.: New York, Philadelphia, Atlanta, Chicago, Dallas, and San Francisco

U.S. DEPARTMENT OF LABOR
Office of Inspector General
Functions of Key Offices

(1) Information, Privacy and Investigative Information Systems

The functions of this activity are to coordinate and manage the OIG investigative information system, including the operation of OIG's Complaint Analysis Office and the DOL Hotline. It also serves as the Centralized Disclosure Office for release of information contained in the files of the OIG (Nationwide), including all Offices of Investigations, Offices of Labor Racketeering, Offices of Audit and the Office of Resource Management and Legislative Assessment to the general public, other agencies and the Congress.

(2) Office of Labor Racketeering

The Office of Labor Racketeering (OLR) investigates racketeering in three general areas: within employee benefit plans, labor-management relations and internal union affairs. OLR implements and coordinates a program to conduct investigations which are prosecuted by the U.S. Attorneys Offices, the U.S. Department of Justice Strike Force Offices and selected state prosecutors. The OLR coordinates its program with the Office of Labor Management Standards and the Pension and Welfare Benefits Administration, which have responsibility for enforcement of the Labor Management Reporting and Disclosure Act (LMRDA) and Employee Retirement Income Security Act (ERISA).

(3) Office of Audit

The Office of Audit (OA) provides an official examination and verification of the programs, activities and systems of the Department of Labor to establish whether information is reliable; resources are safeguarded; funds are expended in agreement with laws, regulations and policies, and are managed economically and efficiently; and desired program results are achieved.

(4) Office of Investigations

The Office of Investigations (OI) administers an investigative program within the Department of Labor (DOL) to detect and deter fraud, waste and abuse in the operations and administration of DOL programs. OI promotes economy and efficiency of program operations by providing findings to program officials.

(5) Office of Resource Management and Legislative Assessment

This office provides for management direction as well as planning, evaluation, legislative assessment, personnel operations, internal reviews, financial management and administrative support functions necessary to carry out the nationwide responsibilities of the OIG on a timely and cost-effective basis.

Mr. Conte: How many regional offices does the IG have and where are these offices located?

Mr. Hyland: The OIG has 51 regional and subregional offices: 11 regional and subregional Offices of Audit located in New York, Boston, Philadelphia, Washington D.C., Atlanta, Chicago, Kansas City, Dallas, Denver, San Francisco, and Seattle; 19 regional and subregional Offices of Investigations located in New York, Boston, Puerto Rico, Philadelphia, Pittsburgh, Bluefield, Washington D.C., Atlanta, Tampa, Chicago, Columbus, Detroit, Kansas City, Dallas, Houston, Denver, San Francisco, San Diego, and Seattle; and 21 regional and subregional Offices of Labor Racketeering located in New York, Buffalo, Boston, Hartford, New Haven, Newark, Atlantic City, Camden, Philadelphia, Washington D.C., Miami, Atlanta, New Orleans, Chicago, Kansas City, Milwaukee, Cleveland, Detroit, Los Angeles, San Francisco, and St. Louis. The OIG has co-located its program offices in contiguous space in many locations to achieve administrative cost savings and operational efficiencies.

ETA MANAGEMENT AUDITS

Mr. Early: Why is the number of audits/studies for the ETA Management account declining so rapidly? Thirty-four were conducted in FY 1985, 17 are proposed for FY 1986, and 8 are proposed for FY 1987.

Mr. Hyland: With the reduction of 25 FTEs in the Office of Audit in FY 1987, ETA Management was one of the program areas identified in the OIG budget submission as receiving reduced audit coverage. FTEs devoted to audit coverage in FY 1985, FY 1986 and FY 1987 are 22, 16, and 8, respectively. However, in that area of our workload identified as Financial Management, we will devote additional resources to the study of ETA's financial management system.

OIG INVESTIGATIONS

Mr. Early: How many additional investigations would have been conducted in FY 86 if not for the Gramm-Rudman reductions?

Mr. Hyland: During FY 86, The Office of Investigations will be unable to conduct approximately 52 completed investigations due to the Gramm-Rudman reductions.

The following tabulation reflects the affected programs:

DOL Program	Total Affected Investigations
Unemployment Insurance	29
FECA	11
ETA-CETA Prime Sponsor	12

Mr. Early: Where will the increase in the number of investigations for FY 87 be concentrated?

Mr. Hyland: In FY 87, the Office of Investigations will provide priority consideration to significant investigations affecting the Job Training Partnership Act (JTPA), the Federal Employees' Compensation Act (FECA), and the Unemployment Insurance (UI) program. The staff committed to the JTPA program will be increased by 10, from 14 to 24 FTEs, resulting in approximately 122 completed investigations. Additionally, an increase of one FTE will be devoted to FECA investigations raising the total FTEs for FECA-related investigations from 20 to 21 FTEs.

Mr. Early: What specific program areas will you be targeting in FY 87?

Mr. Hyland: Adjunct to the Office of Investigations administering an investigative program to detect and deter fraud, waste and abuse in all DOL programs, increased investigative priority will be given to the Job Training Partnership Act (JTPA), Unemployment Insurance (UI), and the Federal Employees' Compensation Act (FECA). In addition to criminal considerations, all matters handled will be subjected to an expanded review and analysis for the purpose of evaluating whether any information that is developed during the course of an investigation would be of value to management in its effort to improve operating procedures and/or systems of internal control.

LABOR RACKETEERING OFFICES

Mr. Early: I understand you are proposing to close two Labor Racketeering Offices, Los Angeles and New Orleans, in order to better target your resources on more important areas. Would you explain what those target areas are and how you will improve your efforts.

Mr. Hyland: Our management decision was based on continuous allocation of resources to those areas where significant labor racketeering problems had been identified. Management analysis has identified that the most significant enforcement accomplishments, and consequently the greatest return on investment, has been obtained in the OLR offices with significant enforcement personnel to conduct full investigations.

Mr. Early: How many Labor Racketeering Field Offices will there be if the two proposed are closed?

Mr. Hyland: There will be 10 field offices and 9 resident offices.

Mr. Early: How were the two locations selected for closing?

Mr. Hyland: This decision was based upon management analysis and productivity analysis of our offices that revealed the areas where we were getting the least return on our investment. Because of limited resources, we made a conscious effort to concentrate our resources in areas where we could have a greater impact.

LABOR RACKETEERING CASELOAD

Mr. Early: How extensive is the case backlog in the Office of Labor Racketeering?

Mr. Hyland: Conservatively, we would estimate that there are about 80 cases that are inactive or have not been opened even though we have research indicating the possibility of violations.

Mr. Early: The justification indicates that the sequestration will likely result in adding to the backlog. How severely impacted will your investigations be due to the Gramm-Rudman reductions?

Mr. Hyland: Our formal annual plan has, in fact, identified significant instances of labor racketeering in certain industries that we are looking at, but because of Gramm-Rudman reductions are on the back burner, such as trade show and exposition, movie and waste disposal. We are reluctant to participate in under-staffed ventures that would give us an inefficient presence.

Mr. Early: How frequently are the industries which are the most affected by organized crime investigated? (These would be construction, trucking, waterfront.)

Mr. Hyland: In addition to the industries you have identified, we would add the employee benefit plan field and the garment industry among the most vulnerable to organized crime. Most of OLR's resources (90 special agents) are directly committed

to investigating labor racketeering in the industries identified as most vulnerable.

UNEMPLOYMENT INSURANCE QUALITY CONTROL SYSTEM

Mr. Early: I understand that your office has supported establishing an Unemployment Insurance Quality Control System. What, if anything, has been done to develop such a QC system?

Mr. Hyland: In 1983, our office was instrumental in establishing a joint Office of Inspector General (OIG)/Employment and Training Administration (ETA) UI Benefit Payment Control Oversight Committee. During the committee's deliberations, OIG strongly supported establishing a quality control system in Unemployment Insurance as a means to improve program integrity by accurately identifying and measuring payment errors so that states could take appropriate corrective action. The Unemployment Insurance Quality Control initiative was the primary product of the Committee.

State unemployment benefits in FY 84 were $15 billion. The Unemployment Insurance Service (UIS) estimates that a reduction in errors which resulted in a one percent reduction in the amount of payments would result in $140 million in savings to the program. We believe it is absolutely essential that the Department of Labor have an effective control mechanism to assure the integrity of benefits paid to claimants and to prevent misexpenditure of millions in employer taxes.

The design of the quality control program was largely an effort of ETA program staff with the Interstate Conference of Employment Security Agencies, the U.S. Chamber of Commerce, labor and business representatives and state officials. The OIG performed a review of the plan and provided comments on potential improvements in the design.

It is our understanding that the Secretary is currently planning for implementation of the program April 1, 1986, on a voluntary basis until formal regulations are published.

Mr. Early: What do you estimate the cost savings of a quality control system would be?

Mr. Hyland: With varying error rates across states, a precise prediction in ultimate savings is difficult. However, UIS has informed us that reduction in error rates nationally that led to a one percent reduction in payments would represent approximately $140 million in savings.

DEPARTMENTAL MANAGEMENT

OFFICE OF THE INSPECTOR GENERAL

	Page No.
Appropriation language	1
Amounts available for obligation	2
Summary of changes	3
Budget authority by activity	6
Budget authority by object	7
Significant Items in FY 1985 House and Senate Appropriations Committee Reports	8
Authorizing legislation	8
Appropriation history	9
Justification:	
Appropriation	10
General statement	11
Activities:	
Office of Audit	12
Office of Investigations	20
Office of Labor Racketeering	26
Executive Direction and Management	32
Advisory and Assistance Services	37
Detail of Permanent Positions	38

DEPARTMENTAL MANAGEMENT

OFFICE OF THE INSPECTOR GENERAL

For salaries and expenses of the Office of the Inspector General in carrying out the provisions of the Inspector General Act of 1978, ~~[$38,730,000]~~ *$34,833,000* together with not to exceed ~~[$3,231,000]~~ *$6,040,000* which may be expended from the Employment Security Administration account, in the Unemployment Trust Fund. *(Public Law 95-452, as amended; Department of Labor Appropriation Act, 1986.)*

OIG-2

AMOUNTS AVAILABLE FOR OBLIGATION

	1985		1986		1987	
	FTE	Amount	FTE	Amount	FTE	Amount
Appropriation.....	475	$39,323,000	504	$38,730,000	408	$34,833,000
Sequestered under P.L. 99-177.....	--	--	-31	-1,654,000	--	--
A. Revised appropriation..	475	39,323,000	473	37,076,000	408	34,833,000
Comparative transfer from:						
D.M., Working Capital Fund.....	+7	--	+7	--	--	--
Subtotal, appropriation (adjusted)...	482	39,323,000	480	37,076,000	408	34,833,000
Offsetting collections from:						
Employment Security Administration Unemployment Trust Fund.....	48	4,300,000	48	3,231,000	112	6,040,000
Sequestered under P.L. 99-177.....	--	--	--	-139,000	--	--
Subtotal Unemployment Trust Fund....	48	4,300,000	48	3,092,000	112	6,040,000
Employment Standards Administration Black Lung Disability Trust Fund.....	7	372,000	7	376,000	10	612,000
Sequestered under P.L. 99-177.....	--	--	--	-16,000	--	--
Subtotal Black Lung Disability Trust Fund.....	7	372,000	7	360,000	10	612,000
Unobligated balance lapsing due to Section 515 withholdings 1/...	--	--	--	-266,000	--	--
B. Total available budget authority.....	537	$43,995,000	535	$40,262,000	530	$41,485,000

1/ Withheld from obligation pursuant to Section 515 of the Treasury, Postal Service, and General Government Appropriations Act as referenced in the full year Continuing Resolution for 1986, P.L. 99-190.

Office of the Inspector General
SUMMARY OF CHANGES
(Dollar Amounts in thousands)

Budget Authority	1986	1987	Net Change
General Funds	$ 36,810,000	$ 34,833,000	-1,977,000
Trust Funds	3,452,000	6,652,000	+3,200,000
Total	40,262,000	41,485,000	+1,223,000
Full-Time Equivalent			
General Funds	480	408	-72
Trust Funds	55	122	+67
Total	535	530	-5

Explanation of Change:

Increases	Trust Funds FTE	Trust Funds Amount	General Funds FTE	General Funds Amount	Total FTE	Total Amount
A. Built-In:						
Net cost of within-grade promotions.....	--	+11,000	--	+88,000	--	+99,000
Net cost of annualized within-grade promotions effective in 1986.....	--	+12,000	--	+69,000	--	+81,000
To provide for general merit pay fund contributions.....	--	--	--	+20,000	--	+20,000
To provide for increased cost of personnel benefits.....	--	+2,000	--	+53,000	--	+55,000
To provide for increased cost of travel...	--	--	--	+142,000	--	+142,000
To provide for increased cost of transportation of things.....	--	--	--	+6,000	--	+6,000
To provide for increased cost of GSA Standard Level User Charges.....	--	--	--	+63,000	--	+63,000
To provide for increased rent, communications, and utilities costs.....	--	--	--	+61,000	--	+61,000
To provide for increased cost of administrative support services.....	--	--	--	+53,000	--	+53,000
To provide for increased cost of ADP contracts.....	--	--	--	+38,000	--	+38,000
To provide for increased printing costs...	--	--	--	+8,000	--	+8,000
To provide for increased cost of supplies.	--	--	--	+12,000	--	+12,000
To provide for increased cost of equipment	--	--	--	+12,000	--	+12,000
To provide for increased cost of miscellaneous contracts.....	--	--	--	+91,000	--	+91,000
To provide for increased cost of audit contracts.....	--	+30,000	--	+257,000	--	+287,000
Subtotal.....	--	+55,000	--	+973,000	--	+1,028,000

	Trust Funds		General Funds		Total	
	FTE	Amount	FTE	Amount	FTE	Amount
B. Program:						
To provide additional funds to allow the Office of Audit to increase activities under the Single Audit Act of 1984.....	--	+128,000	+24	+908,000	+24	+1,036,000
1986 Base: FTE: 272						
Budget Authority: $22,943,000						
To provide additional funds to allow the Office of Investigations to increase investigative activities.....	--	+27,000	+4	+263,000	+4	+290,000
1986 Base: FTE: 112						
Budget Authority: $6,823,000						
To provide additional funds to increase Office of Labor Racketeering investigative activities.....	--	--	--	+272,000	--	+272,000
1986 Base: FTE: 104						
Budget Authority: $6,494,000						
To provide additional funds for Executive Direction and Management activities.....	--	--	+3	+211,000	+3	+211,000
1986 Base: FTE: 47						
Budget Authority: $5,030,000						
To provide additional funds for continued retention of contract audit services to review DOL programs.....	--	--	--	+265,000	--	+265,000
1986 Base: FTE: 0						
Budget Authority: $6,837,000						
To provide additional funds for development of ADP training packages.....	--	--	--	+1,000	--	+1,000
1986 Base: FTE: 0						
Budget Authority: $9,000						
To provide for increased Standard Level User charges.....	--	--	--	+262,000	--	+262,000
1986 Base: FTE: 0						
Budget Authority: $1,489,000						
To provide for increased contract audit services.....	--	+500,000	--	+664,000	--	+1,164,000
1986 Base: FTE: 0						
Budget Authority: $6,837,000						
Subtotal.....	--	+655,000	+31	+2,846,000	+31	+3,501,000
C. Financing:						
To reflect a change in audit and investigative staff from General fund activities to Black Lung Trust Fund activities.....	+3	+36,000	--	--	+3	+36,000

	Trust Funds FTE	Trust Funds Amount	General Funds FTE	General Funds Amount	Total FTE	Total Amount
To reflect a change in audit and investigative staff from General Fund activities to Unemployment Trust Fund activities	+64	+2,454,000	--	--	+64	+2,454,000
Subtotal	+67	+2,490,000	--	--	+67	+2,490,000
Total Increase	+67	+3,200,000	+31	+3,819,000	+98	+7,019,000
Decreases						
A. Program:						
To provide for reduced ADP resources 1986 Base: FTE 12 Budget Authority $2,256,000	--	--	--	-707,000	--	-707,000
Savings achieved thru Productivity Improvements and lower average grade costs of positions 1986 Base: FTE 535 Budget Authority $41,290,000	--	--	-36	-2,336,000	-36	-2,336,000
To provide for savings in administrative support services costs 1986 Base: FTE: 0 Budget Authority: $1,752,000	--	--	--	-263,000	--	-263,000
Subtotal	--	--	-36	-3,306,000	-36	-3,306,000
B. Financing:						
To reflect a change in audit and investigative staff from General Fund activities to Black Lung Trust Fund activities	--	--	-3	-36,000	-3	-36,000
To reflect a change in audit and investigative staff from General Fund activities to Unemployment Trust Fund activities	--	--	-64	-2,454,000	-64	-2,454,000
Subtotal	--	--	-67	-2,490,000	-67	-2,490,000
Total Decrease	--	--	-103	-5,796,000	-103	-5,796,000
Total Change	+67	+3,200,000	-72	-1,977,000	-5	+1,223,000

BUDGET AUTHORITY BY ACTIVITY

	1985 Comparable 1/		1986 Appropriation		1986 Estimate 1/2/		1987 Estimate		Change	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
Budget Authority Applied to General Funds:										
1. Office of Audit.....	243	$23,039,000	253	$20,658,000	229	$19,485,000	185	$19,233,000	-44	-$252,000
2. Office of Investigations.....	100	5,800,000	104	6,351,000	100	6,088,000	77	5,566,000	-23	-522,000
3. Office of Labor Racketeering.....	90	6,101,000	104	6,675,000	104	6,403,000	101	6,323,000	-3	-80,000
4. Executive Direction & Management.....	49	4,383,000	43	5,046,000	47	4,834,000	45	3,711,000	-2	-1,123,000
Subtotal.....	482	39,323,000	504	38,730,000	480	36,810,000	408	34,833,000	-72	-1,977,000
Budget Authority Applied to Trust Funds:										
1. Office of Audit.....	43	4,053,000	43	2,976,000	43	2,848,000	86	5,247,000	+43	+2,394,000
2. Office of Investigations.....	12	619,000	12	631,000	12	604,000	36	1,410,000	+24	+806,000
Subtotal.....	55	4,672,000	55	3,607,000	55	3,452,000	122	6,652,000	+67	+3,200,000
Total Budget Authority...	537	$43,995,000	559	$42,337,000	535	$40,262,000	530	$41,485,000	-5	+$1,223,000

1/ Includes 7 FTE comparatively transferred in FY 1986 from DM,WCF

2/ Included in 1986 Estimate:
Sequestered under P.L. 99-177.....-$1,809,000 and -31 FTE.
Withdrawn pursuant to P.L. 99-190...-$266,000 and 0 FTE

OIG-7

BUDGET AUTHORITY BY OBJECT

	1985 1/ Comparable	1986 1/ Estimate	1987 Estimate
Total number of full-time permanent positions	564	564	528
Full-time equivalent:			
Full-time in permanent positions	527	525	526
Other positions	10	10	4
Total	537	535	530
Average ES salary	$66,041	$66,041	$66,041
Average GM/GS grade	11.27	11.31	11.54
Average GM/GS salary	$35,613	$37,310	$38,769
Personnel Compensation:			
Permanent positions	$19,126,000	$20,200,000	$19,441,000
Positions other than permanent	85,000	85,000	85,000
Other personnel compensation	1,088,000	959,000	1,135,000
Subtotal, personnel compensation	$20,299,000	$21,244,000	$20,661,000
Personnel benefits	2,410,000	2,608,000	2,701,000
Travel and transportation of persons	4,088,000	3,854,000	4,189,000
Transportation of things	152,000	152,000	158,000
Space Rental	1,126,000	1,426,000	1,751,000
Communications, utilities & other rent.	728,000	706,000	788,000
Printing and reproduction	122,000	107,000	127,000
Other services 2/	14,695,000	9,669,000	10,697,000
Supplies and materials	190,000	203,000	218,000
Equipment	185,000	293,000	195,000
Total, budget authority by object	$43,995,000	$40,262,000	$41,485,000
Working Capital Fund obligations included above	($2,218,000)	($1,699,000)	($1,470,000)
Advisory and Assistance Services included above	($11,288,000)	($6,559,000)	($8,276,000)

1/ Includes 7 FTE comparatively transferred in FY 1986 from DM, WCF.

2/ Includes the following amounts for services of other agencies:

General Services Administration	(32,000)	(73,000)	(73,000)
Office of Personnel Management	(150,000)	(150,000)	(150,000)

OIG-8

SIGNIFICANT ITEMS IN 1986
HOUSE AND SENATE APPROPRIATIONS COMMITTEES REPORTS

No specific actions recommended.

AUTHORIZING LEGISLATION

Legislation	Budget Request 1986	1987
Authorizing legislation containing indefinite authority		
The Inspector General Act of 1978 (Public Law 95-452)..... 1/	$40,262,000	$ 41,485,000

1/ Includes $3,092,000 for FY 1986 and $6,040,000 for FY 1987 to be derived from the Employment Security Administration account in the Unemployment Trust Fund; and $360,000 for FY 1986 and $612,000 for FY 1987 to be derived from the Black Lung Disability Trust Fund.

APPROPRIATION HISTORY

	Budget Estimates to Congress	House Allowance	Senate Allowance	Appropriation
1983.....	44,968,000	44,968,000	44,968,000	44,968,000
1984.....	44,527,000	43,527,000	44,527,000	44,320,000
1985.....	44,137,000	44,137,000	43,853,000	43,995,000
1986 1/.....	36,907,000	43,999,000	40,673,000	42,337,000 2/
Sequestered under P.L. 99-177.....				-1,809,000 3/
1987.....	41,485,000 4/			

1/ Does not include reductions pursuant to P.L. 99-177.

2/ Includes $3,231,000 to be derived from the Employment Security Administration Account in the Unemployment Trust Fund; and $376,000 to be derived from the Black Lung Disability Trust Fund.

3/ Includes -$139,000 to be derived from the Employment Security Administration account in the Unemployment Trust Fund; and -16,000 to be derived from the Black Lung Disability Trust Fund.

4/ Includes $6,040,000 to be derived from the Employment Security Administration account in the Unemployment Trust Fund; and $612,000 to be derived from the Black Lung Disability Trust Fund.

Note: Prior to FY 1983, appropriation included in Departmental Management, Salaries and Expenses account.

DEPARTMENTAL MANAGEMENT

OFFICE OF THE INSPECTOR GENERAL

JUSTIFICATION

	1985 2/ Comparable		1986 Appropriation		1986 1/2/ Estimate		1987 Estimate		Increase or Decrease	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
1. Audit.....	286	$27,092,000	296	$23,634,000	272	$22,333,000	271	$24,475,000	-1	+$2,142,000
2. Investigations.....	112	6,419,000	116	6,982,000	112	6,692,000	113	6,976,000	+1	+284,000
3. Labor Racketeering.....	90	6,101,000	104	6,675,000	104	6,403,000	101	6,323,000	-3	-80,000
4. Executive Direction & Management	49	4,383,000	43	5,046,000	47	4,834,000	45	3,711,000	-2	-1,123,000
Total Budget Authority.	537	$43,995,000	559	$42,337,000	535	$40,262,000	530	$41,485,000	-5	+$1,223,000

1/
Included in 1986 Estimate above:

Sequestered under P.L. 99-177.....-$1,809,000 and -31 FTE.
Withdrawal pursuant to P.L. 99-190..... -$266,000 and 0 FTE.

2/
Includes 7 FTE comparatively transferred in FY 1986 from DM, WCF.

General Statement

The Office of the Inspector General (OIG), Department of Labor (DOL) was established in October 1978 by the Inspector General Act of 1978 (Public Law 95-452, as amended). The OIG will continue to carry out its responsibilities for: (a) recommending policies to prevent and detect fraud, waste and abuse in DOL activities and programs and increase economy and efficiency; (b) conducting, supervising and coordinating audits and investigations relating to DOL programs and activities; (c) informing the Secretary of Labor and Congress about problems and corrective actions taken in the administration of DOL activities and programs; and (d) reviewing legislation and regulations to assess fraud, waste, and abuse potential and make recommendations to the Department of Labor and Congress. Additionally, the Inspector General Act of 1978 assigned to the DOL OIG the responsibility and authority to investigate organized crime's influence and impact on labor organizations' employee benefit plans, union benefit plans, and labor-related activities. Since the enactment of the original OIG legislation, additional specific responsibilities have been mandated by other legislation, Office of Management and Budget directives and the Secretary of Labor.

The 1987 Budget request of the Office of Inspector General represents a net increase of $1,223,000 above the 1986 estimated amount.

OIG-12

OFFICE OF AUDIT

1985 Comparable		1986 Appropriation		1986 Estimate		1987 Estimate		Increase or Decrease	
FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
286	$27,092,000	296	$23,634,000	296	$22,333,000 1/	271	$24,475,000	-1	+$2,142,000

1/ Included in 1986 Estimate above:
Sequestered under P.L. 99-177..... -$1,036,000 and -24 FTE.
Withdrawal pursuant to P.L. 99-190..... -$265,000 and 0 FTE.

Introduction

The Office of Audit (OA) provides an official examination and verification of the programs, activities, and systems of the Department of Labor to establish whether information is reliable; resources are safeguarded; funds are expended in agreement with laws, regulations, and policies, and are managed economically and efficiently; and desired program results are achieved.

The Office of Audit is committed to promote economy, efficiency and effectiveness in the administration of program operations of the Department of Labor and to prevent and detect fraud and abuse in such programs and operations.

The Office of Audit keeps the Secretary of Labor and the Congress informed of problems and deficiencies related to the administration of the Department's programs and operations and the necessity for and progress of corrective action.

1987 Budget Request

The Fiscal Year 1987 budget request for the Office of Audit totals $24,475,000 and 271 FTEs. Together with $8.3 million in audit contracting funds, OA will be able to provide the equivalent of 382 staff years of audit effort to review critical departmental programs and activities — as compared with 453 staff years in Fiscal Year 1985 and 390 staff years in Fiscal Year 1986.

In Fiscal Year 1987 the substantial commitments to the areas of Departmental ADP management and operations and financial management will be maintained at Fiscal Year 1986 levels. OA's efforts to facilitate the effective implementation of the Single Audit Act of 1984, substantially reduced in response to sequestration under P.L. 99-177, will be renewed. Audit coverage of other Departmental programs and activities will reflect marginal changes.

The reduction of 25 OIG FTEs from the Fiscal Year 1986 appropriation level, together with the partially revitalized Single Audit effort, will be felt mainly in the audit oversight of the Employment Standards Administration (ESA) and the Employment and Training Administration (ETA).

At this request level, this office anticipates performing a total of 200 audits, reviews, and studies.

1986

In FY 1986, OA will continue survey work begun in Fiscal Year 1985 in the Pension and Welfare Benefits Administration (PWBA), Mine Safety and Health Administration (MSHA), Occupational Safety and Health Administration (OSHA), and the Office of Federal Contract Compliance Programs (OFCCP). These enforcement Agencies in the Department have received little audit coverage in the past.

In the Employment and Training Administration (ETA), OA will be required to expend considerable audit resources in Job Corps with the exact amount dependent upon decisions to reduce the program. OA will also do an organizational survey of ETA in anticipation of changes in the federal role in Unemployment Insurance. In JTPA, resources will be used to review the application of the four part liability criteria in resolving audits of the grantees.

In responding to OMB and GAO initiatives in financial management, OA will become increasingly involved in integrating audit techniques into the DOL financial systems to obtain a perspective that will assist departmental managers in improving the program planning and decision-making process. This will be accomplished by a staff of auditors with specialized knowledge of the Department's financial systems.

The effect of the Gramm-Rudman Act on the Office of Audit will be to reduce the coordination, quality control and resolution of audits performed under the Single Audit Act of 1984. For FY 1986, the Office of Audit had planned to devote 26 FTEs to this effort. Because of the reduction, this will be reduced to 2 FTEs, eliminating technical assistance to states and local governments and independent auditors, quality control reviews and oversight of the resolution of cross-cutting findings.

1985

During Fiscal Year 1985, the Office of Audit completed several audits that will have a major impact on departmental policies and operations. OA's review of the Unemployment Insurance (UI) experience rating system found that the financing of UI benefits has shifted from a system based on individual employers' responsibility to manage their workforce to a system where all employers share in the costs regardless of their unemployment experience.

OA's continuing review of the Federal share of the UI program has found that $50 million in unemployment benefits was over claimed in 14 states out of a total of 45 states reviewed. OA completed a survey in the Office of Workers' Compensation Programs from which it has developed a 5-year plan of audit work in that area, and its continued monitoring of the Federal Employees' Compensation System design and development of a new automated claims processing system has resulted in a more efficient approach and savings to the Government.

OIG-14

OA efforts in conjunction with ETA in the closedown of the billion-dollar CETA program had resulted in $65.7 million in residual cash balances or improper program charges recommended for recovery with $159.7 million reported to ETA for their use in ensuring that assets are fully protected during the closeout process. As of December 1984, ETA had established debts totaling $18.8 million. To preclude the financial problems that plagued the CETA program, OA undertook an effort to provide financial management technical assistance and training to the Indian and migrant grantees of the new Job Training Partnership Act (JTPA) program, most of whom were CETA grantees as well. This successful effort was conducted by independent CPAs under the guidance of OIG and program personnel.

OA reviewed cash management practices in JTPA and developed two innovative approaches to improve the Federal cash management system. One approach, the discount funding method, has been tested in New Jersey and tentatively showed that the Federal Government would have saved approximately $600,000 in Fiscal Year 1984 had the discount method been used. The second approach, the clearinghouse method, will be tested during Fiscal Years 1986 and 1987 with continued testing of the discount method as well.

Changes for 1987

Activity Changes:

Built-in:	
Personnel costs including net cost of within-grade promotions effective in 1987, net cost of annualized within-grade promotions effective in 1986, increased cost of merit pay contributions, and increased personnel benefits cost.....	+$123,000
Nonpersonnel costs including increased cost of travel, increased cost of transportation, increased cost of GSA Standard Level User Charges, increased cost of rent, communications, and utilities, increased cost of administrative support services, increased cost of printing, increased cost of supplies, increased cost of equipment, increased cost of miscellaneous contracts, and increased cost of audit contracts.....	+$487,000
Subtotal.....	+$610,000
Net program.....	+$1,532,000
FTE.....	-1

Office of Audit

Proposal: An increase of $1,036,000 to provide funds for the Office of Audit to increase activity under the Single Audit Act of 1984.

Rationale: To provide additional audit coverage of DOL programs.

Program Effects: This will result in increased coordination, quality control and resolutions of audits performed under the Single Audit Act of 1984.

Base:
FTE: 272 Estimate: $22,943,000

Program Increase:
FTE: 24 Estimate: $1,036,000

Proposal: To provide additional funds to audit contracts.

Rationale: To provide additional audit coverage of DOL programs.

Program Effects: This will provide for the continued retention of contract audit services to review Departmental programs in order to detect fraud and waste.

Base:
FTE: -- Estimate: $6,837,000

Program Increase:
FTE: -- Estimate: $265,000

Proposal: To provide for the cost of GSA Standard Level User Charges that exceed the current service estimate for existing OIG space holdings.

Rationale: The current services estimate for GSA Standard Level User Charges is insufficient to fund the FY 1987 GSA charges for existing OIG space.

Program Effects: This increase is part of an overall pricing change, and will not affect program performance. There is no increase in space from the FY 1986 level.

Base:
FTE: -- Estimate: $1,489,000

Program Increase:
FTE: -- Estimate: $137,000

Proposal: An increase of $1,164,000 for contract audit services.

Rationale: To provide adequate audit coverage to review critical departmental programs and activities.

Program Effects: The number of audits performed with contract funds will be increased.

Base:
FTE -- Estimate: $6,837,000

Program Increase:
FTE: -- Estimate: $1,164,000

Proposal: A reduction of 25 FTEs.

Rationale: As a result of a redistribution of audit efforts and lower average grade cost of positions, staffing and related funding will be reduced in this activity.

Program Effects: Reductions in audit coverage of the Federal Contract Compliance Programs and the Management of the Employment and Training Administration, and other audit areas.

Base:
FTE 272 Estimate: $22,943,000

Program Decrease:
FTE: -25 Estimate: -$961,000

Proposal: A reduction of $109,000 in administrative support services costs.

Rationale: This reduction is necessary as a result of WCF workload changes.

Program Effects: None.

Base:
FTE -- Estimate: $1,752,000

Program Decrease:
FTE: -- Estimate: -$109,000

OFFICE OF AUDIT

WORKLOAD ACCOMPLISHMENTS

	1985 Actual	1986 Estimate	1987 Estimate
1. ESA-FECA			
AUDITS/STUDIES/REVIEWS	6	7	4
FTE	(12)	(15)	(14)
AUDIT CONTRACT (million)	$ 0.5	$ 0.7	$0.5
2. ESA-MWC			
AUDITS/STUDIES/REVIEWS	9	3	1
FTE	(11)	(9)	(6)
AUDIT CONTRACT	$ 0.2	0.0	0.2
3. ESA-LSHWC			
AUDITS/STUDIES/REVIEWS	2	3	2
FTE	(1)	(3)	(3)
AUDIT CONTRACT	$ 0.0	0.0	0.0
4. ESA-W&H PROGRAM			
AUDITS/STUDIES/REVIEWS	1	1	1
FTE	(3)	(1)	(1)
AUDIT CONTRACT	$ 0.0	0.0	0.0
5. ESA-OFCCP			
AUDITS/STUDIES/REVIEWS	1	2	1
FTE	(8)	(10)	(3)
AUDIT CONTRACT	$ 0.0	0.0	0.0
6. ESA-MANAGEMENT-OWCP			
AUDITS/STUDIES/REVIEWS	2	1	2
FTE	(2)	(4)	(4)
AUDIT CONTRACT	$ 0.0	0.0	0.0
7. VETERANS EMPLOYMENT			
AUDITS/STUDIES/REVIEWS	0	1	1
FTE	(0)	(2)	(2)
AUDIT CONTRACT	$ 0.0	0.0	0.0
8. ETA-SESA/UI			
AUDITS/STUDIES/REVIEWS	35	56	58
FTE	(72)	(80)	(80)
AUDIT CONTRACT	$ 3.3	1.1	1.4
9. ETA-CETA-PRIME			
AUDITS/STUDIES/REVIEWS	6	0	0
FTE	(2)	(2)	(1)
AUDIT CONTRACT	$ 0.5	0.2	0.2
10. ETA-JOB CORPS			
AUDITS/STUDIES/REVIEWS	17	5	15
FTE	(7)	(7)	(8)
AUDIT CONTRACT	$ 2.7	0.7	0.7

OIG-18

11. ETA-JTPA-MIGRANTS			
AUDITS/STUDIES/REVIEWS	13	4	10
FTE	(9)	(2)	(2)
AUDIT CONTRACT	$ 0.5	0.0	0.3
12. ETA-JTPA-NATIVE AMER			
AUDITS/STUDIES/REVIEWS	14	4	15
FTE	(2)	(2)	(2)
AUDIT CONTRACT	$ 0.2	0.0	0.3
13. ETA-JTPA			
AUDITS/STUDIES/REVIEWS	8	5	8
FTE	(28)	(32)	(32)
AUDIT CONTRACT	$ 0.5	0.8	1.0
14. ETA-MANAGEMENT			
AUDITS/STUDIES/REVIEWS	34	17	8
FTE	(22)	(16)	(8)
AUDIT CONTRACT	$ 0.7	0.0	0.3
15. OSHA			
AUDITS/STUDIES/REVIEWS	18	16	16
FTE	(20)	(15)	(15)
AUDIT CONTRACT	$ 0.3	0.3	0.3
16. MSHA			
AUDITS/STUDIES/REVIEWS	15	8	13
FTE	(7)	(10)	(12)
AUDIT CONTRACT	$ 0.2	0.0	0.3
17. OLM			
AUDITS/STUDIES/REVIEWS	1	1	1
FTE	(1)	(4)	(5)
AUDIT CONTRACT	$ 0.3	0.0	0.2
18. PWBA			
AUDITS/STUDIES/REVIEWS	1	1	1
FTE	(2)	(4)	(4)
AUDIT CONTRACT	$ 0.0	0.6	0.5
19. BLS			
AUDITS/STUDIES/REVIEWS	0	1	1
FTE	(0)	(1)	(1)
AUDIT CONTRACT	$ 0.0	0.0	0.0
20. SOL			
AUDITS/STUDIES/REVIEWS	4	3	3
FTE	(8)	(4)	(4)
AUDIT CONTRACT	$ 0.0	0.0	0.0
21. ADP			
AUDITS/STUDIES/REVIEWS	3	4	12
FTE	(15)	(15)	(15)
AUDIT CONTRACT	$ 1.4	0.8	0.8
22. FINANCIAL MANAGEMENT			
AUDITS/STUDIES/REVIEWS	4	6	18
FTE	(15)	(19)	(19)
AUDIT CONTRACT	$ 0.3	1.0	1.0

23. PROCUREMENT			
AUDITS/STUDIES/REVIEWS	5	6	9
FTE	(13)	(13)	(13)
AUDIT CONTRACT	$ 0.5	0.4	0.3
24. SINGLE AUDIT(A-102 ATT. P)			
AUDITS/STUDIES/REVIEWS	0	0	0
FTE	(26)	(2)	(17)
AUDIT CONTRACT	$ 0.0	0.0	0.0
TOTAL			
AUDITS/STUDIES/REVIEWS	199	155	200
FTE	(286)	(272)	(271)
AUDIT CONTRACT	$ 12.1	6.6	8.3

OIG-20

OFFICE OF INVESTIGATIONS

1985 Comparable		1986 Appropriation		1986 Estimate		1987 Estimate		Increase or Decrease	
FTE	Amount	FTE	Amount	FTE	Amount 1/	FTE	Amount	FTE	Amount
112	$6,419,000	116	$6,982,000	112	$6,692,000	113	$6,976,000	+1	+$284,000

1/ Included in 1986 Estimate above:
Sequestered under P.L. 99-177.....-$290,000 and -4 FTE.

Introduction

The Office of Investigations (OI) administers an investigative program within the Department of Labor (DOL) to detect and deter fraud, waste, and abuse in the operations and administration of DOL programs. OI promotes economy and efficiency of program operations by providing findings to program officials.

1987 Budget Request

The FY 1987 budget request for this activity totals $6,976,000 and 113 FTEs.

During FY 1987, emphasis will be placed on plans to ensure efficient and effective use of staff resources to deliver improved quality cases. OI will use the new initiatives of its recent activities including undercover approaches and other proactive measures. The total numbers of investigations will increase by 43 over 1986 levels.

The staff committed to the UI program will be decreased by 1 from 33 to 32 FTEs. OI will handle approximately 640 UI cases. This will be accomplished based on our increased efficiency achieved through the "clustering" procedures we have developed that involve the gathering of individual cases into groups for prosecution. OI's efficiency will also be increased by the expanding expertise of our staff in the UI area.

Overall efficiency will increase in the area of Mine Workers Compensation investigations. Specifically, OI intends to accomplish these efficiencies by grouping individual cases for prosecution. OI has identified indications of potential widespread fraud by medical providers in the Black Lung Program. Expertise is being developed in this program that will result in the overall increased ability to handle these investigations.

The Office of Investigations anticipates conducting a total of 1,134 investigations.

1986

In FY 1986 the Office of Investigations will continue to address identified National priorities such as significant UI,

JTPA, FECA and Black Lung and Alien Certification matters while continuing efforts to increase the quality of cases handled and the results achieved. DOL employee integrity matters will continue to receive priority handling. In addition, OI will expand its efforts in addressing OSHA and MSHA problems to coincide with the new work planned by the Office of Audit. An intelligence base will be developed in these areas while addressing significant issues developed and referred from audits.

Alien certification work will be expanded and specific training sessions will be held to enhance and spread the level of OI's expertise throughout the Office. Efforts will be made to employ successful investigative methods and procedures to other regions of the country that handle a large volume of alien certifications.

All matters handled will be subjected to an expanded review and analysis for the purpose of evaluating whether there has been any information developed through investigations that would be of value to management to improve operating procedures and/or systems of internal control.

It is anticipated that case load numbers will decrease slightly while the complexity of cases will increase and require more time to complete.

The effect of the Gramm-Rudman Act on the Office of Investigations will result in the reduction of 4 FTEs affecting the UI,FECA, and ETA CETA prime investigative operations. The UI investigations will be reduced by a total of 29 completed investigations in FY 86. The FECA investigations will be reduced by 11 in FY 86. The ETA CETA prime investigations will be reduced by 12 completed investigations in FY 1986.

1985

In FY 1985, OI continued to pursue the current National priorities in UI, JTPA and FECA employee integrity investigations, along with the major effort being made with Black Lung investigations. OI's commitment to four major investigations addressed by U.S. Attorney task forces resulted in significant results. A complex alien certification case was completed with noteworthy achievements, as well as quality results in wage and hour cases.

FY 1985 represented one of the best in the Office of Investigations' history. There were 275 indictments and 281 convictions for the first 6-months representing a 79 percent and 140 percent increase respectively over the same 6-month period during FY 1984. The increased emphasis on achieving financial results was evident by the $6.2 million recorded in fines and penalties, settlements and judgments, restitutions, and recoveries during this period. In addition there were seven instances of debarment of contractors and businesses that resulted from OI investigations.

OIG-22

Changes for 1987

Activity Changes:

Built-in:	
Personnel costs including net cost of within-grade promotions effective in 1987, net cost of annualized within-grade promotions effective in 1986, increased cost of merit pay contributions, and increased personnel benefits cost.....	+$69,000
Nonpersonnel costs including increased cost of travel, increased cost of GSA Standard Level Charges, increased cost of administrative support services, and increased cost of miscellaneous contracts.....	+$62,000
Subtotal.....	+$131,000
Net program.....	+$153,000
FTE.....	+1

Office of Investigations

Proposal: An increase of $290,000 to provide funds for the Office of Investigations to increase investigative activities.

Rationale: To provide additional investigative coverage of DOL programs.

Program Effects: This will result in increased investigative operations.

Base:
FTE: 112 Estimate: $6,823,000

Program Increase:
FTE: +4 Estimate: $290,000

Proposal: To provide for the cost of GSA Standard Level User Charges that exceed the current service estimate for existing OIG space holdings.

Rationale: The current services estimate for GSA Standard Level User Charges is insufficient to fund the FY 1987 GSA charges for existing OIG space.

Program Effects: This increase is part of an overall pricing change, and will not affect program performance. There is no increase in space from the FY 1986 level.

Base:
FTE: -- Estimate: $1,489,000

Program Increase:
FTE: -- Estimate: $53,000

Proposal: A reduction of 3 FTEs.

Rationale: As a result of increased productivity and lower average grade costs of positions projected by the program, the Office of Investigations can adequately fulfill its goals and objectives with reduced staffing and related funding.

Program Effects: Due to the increased productivity of existing staff, made possible by efficiency in program activites, there will be no program effect.

Base:
FTE: 112 Estimate: $6,823,000

Program Decrease:
FTE: -3 Estimate: -$134,000

Proposal: A reduction of $56,000 in administrative support services costs.

Rationale: This reduction is necessary as a result of WCF workload changes.

Program Effects: None.

Base:
FTE: -- Estimate: $1,752,000

Program Decrease:
FTE: -- Estimate: -$56,000

OIG-24

Office of Investigations

WORKLOAD ACCOMPLISHMENTS

	1985 Actual	1986 Estimate	1987 Estimate
1. ESA-FECA			
INVESTIGATIONS	143	120	131
FTE	(23)	(20)	(21)
2. ESA-MWC			
INVESTIGATIONS	42	42	31
FTE	(7)	(7)	(4)
3. ESA-LSHWC			
INVESTIGATIONS	18	18	18
FTE	(3)	(3)	(3)
4. ESA-W&H PROGRAM			
INVESTIGATIONS	24	30	30
FTE	(4)	(5)	(5)
5. ETA-SESA/UI			
INVESTIGATIONS	695	627	640
FTE	(36)	(33)	(32)
6. ETA-CETA-PRIME			
INVESTIGATIONS	72	66	58
FTE	(12)	(11)	(5)
7. ETA-JOB CORPS			
INVESTIGATIONS	12	12	12
FTE	(2)	(2)	(2)
8. ETA-JTPA-MIGRANTS			
INVESTIGATIONS	6	6	6
FTE	(1)	(1)	(1)
9. ETA-JTPA-NATIVE AMER			
INVESTIGATIONS	12	6	6
FTE	(2)	(1)	(1)
10. ETA-JTPA			
INVESTIGATIONS	54	84	122
FTE	(9)	(14)	(24)
11. OSHA			
INVESTIGATIONS	12	18	18
FTE	(2)	(3)	(3)
12. MSHA			
INVESTIGATIONS	8	14	14
FTE	(1)	(2)	(2)
13. EMPLOYEE MISCONCDUCT			
INVESTIGATIONS	48	48	48
FTE	(8)	(8)	(8)

14. SECURITY			
FTE	(2)	(2)	(2)
TOTAL			
INVESTIGATIONS	1146	1091	1134
FTE	(112)	(112)	(113)

OIG-26

Office of Labor Racketeering

1985 Comparable		1986 Appropriation		1986 Estimate		1987 Estimate		Increase or Decrease	
FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
90	$6,101,000	104	$6,675,000	104	$6,403,000[1/]	101	$6,323,000	-3	-$80,000

1/ Included in 1986 Estimate above:
Sequestered under P.L. 99-177..... -$272,000 and 0 FTE.

Introduction

The Office of Labor Racketeering (OLR) investigates racketeering in three general areas: within employee benefit plans, labor-management relations, and internal union affairs. OLR implements and coordinates a program to conduct investigations which are prosecuted by the U.S. Attorneys Offices, the U.S. Department of Justice Strike Force Offices, and selected state prosecutors. The OLR coordinates its program with the Office of Labor Management Standards and the Pension and Welfare Benefits Administration, which have responsibility for enforcement of the Labor-Management Reporting and Disclosure Act (LMRDA) and Employee Retirement Income Security Act (ERISA).

1987 Budget Request

The FY 1987 budget request for this activity totals $6,323,000 and 101 FTEs. With these resources, OLR will maintain the focus of the present program to investigate abuse of benefits plans and penetration of unions by organized crime and racketeering elements. OLR will intensify its focus on the industries which appear most vulnerable to influence and control by organized crime i.e., construction, waterfront, transportation, and service industries.

OLR anticipates the closing of its New Orleans and Los Angeles offices in order to concentrate resources on the most important areas. The utilization of computer techniques and the consolidation of OLR resources in densely populated geographic areas should promote increased productivity. As a result, OLR plans on conducting a total of 64 investigations with three less staff.

OLR will continue to devote approximately 65 percent of its attention to abuses of benefit plans, which represent the richest investigative potential in today's labor racketeering arena. Within this category investigative efforts will concentrate on such general areas of corruption as: unentitled benefits, exorbitant fees, fictitious services, kickbacks, and embezzlements and conflicts of interest.

1986

During FY 1986, OLR will continue to comply with its mandate to investigate traditional and emerging organized criminal groups' racketeering activity. OLR has developed a comprehensive, systematic enforcement approach to the three general areas of labor racketeering: employee benefit plans, labor-management relations, and internal union operations.

Employee benefit plans today represent the area of richest investigative potential and consume 65 percent of OLR resources. Pension and welfare plans alone account for over $1 trillion in assets and represent the biggest single pool of capital in the world. There are 56,000 various welfare plans, each with more than 100 participants. Hoodlums and unscrupulous trustees know how vulnerable these plans are; and they are limited only by their imagination in conceptualizing new schemes to deplete the plans' financial resources.

Although organized crime involvement in four large unions-International Longshoremen's Association (ILA), Hotel Employees & Restaurant Employees International Union (HEREIU), Laborers International Union of North America (LIUNA), and International Brotherhood of Teamsters (IBT) have received most of the publicity and law enforcement attention over the years, corruption is endemic among a number of small, unaffiliated independent unions.

OLR will continue investigations which have disclosed that many of these independents have been formed solely to maintain sweetheart contracts, which doom workers to minimal wages, little or no sick/vacation benefits, and no protection against preemptory dismissal. The benefit plans associated with these independents, moreover, have served to benefit corrupt trustees at the expense of legitimate participants and their beneficiaries.

In the area of labor-management relations, OLR is systematically and comprehensively examining the industries most affected by organized crime's penetration of select labor unions. The industries which appear most vulnerable to such corruption include: construction, garment, waterfront and trucking.

The effect of the Gramm-Rudman Act on the Office of Labor Racketeering will be to reduce travel and administratively uncontrollable overtime. Delays will likely occur in the completion of OLR investigations, further adding to case backlogs and adversely affecting the total enforcement program.

1985

In FY 1985, the OLR accomplishments include 77 indictments and 51 convictions. Summaries of significant cases are as follows:

— A 35-year prison sentence was ordered for Robert P. Delker, convicted on March 7, 1985 of racketeering to control Local 1269 of the International Brotherhood of Painters and Allied Trades in Bethlehem, Pennsylvania, and to control the union painting work in the Lehigh Valley. As the local's business representative, Delker and five co-defendents, including the local's president, were charged with committing 52 specific racketeering acts, using force, violence, threats, vandalism, and physical and economic intimidation. All have been sentenced.

— Six indictments or informations involving eight defendants have been returned over a 2-year period in the OLR's continuing investigation of Teamsters Local 436 and its related pension and welfare funds in Cleveland, Ohio. Included in the charges relating to this investigation are payments by employers to officials of the local to allow them to reduce required contributions to the benefit funds and the acceptance of such payments by the union officials. A former business agent of Local 436 who was also a trustee of the local's benefit plans, the fund administrator, five employers, and a county judge have been charged in the investigation to date; four have been convicted.

— Following an OLR investigation, Clarke Lasky and Gerald Lasky, successive presidents of the International Industrial Production Employees Union in Long Island, New York, were sentenced to 6 years in prison for racketeering, embezzlement, and receiving kickbacks. They had pled guilty to charges resulting from their conduct as officers and trustees of the union and its related employee benefit funds. In their agreement with the government, they made restitution totaling $158,000 to the severance fund, the International, the locals, and the insurance fund. Eileen Murphy, the union's secretary, pled guilty to perjury and was sentenced to 5 years' probation and ordered to pay back taxes for the past 20 years.

Changes for 1987

Activity Changes:

Built-in:	
Personnel costs including net cost of within-grade promotions effective in 1987, net cost of annualized within-grade promotions effective in 1986, and increased cost of merit pay contributions	+$40,000
Nonpersonnel cost including increased cost of travel, increased cost of transportation, increased cost of GSA Standard Level User Charges, increased cost of rent, communications, and utilities, and increased cost of administrative support services	+$51,000
Subtotal	+$91,000

Net program..... -$171,000
FTE..... -3

Office of Labor Racketeering

Proposal: An increase of $272,000 to provide funds for travel and adminstratively uncontrollable overtime.

Rationale: To increase resources related to OLR investigative activities.

Program Effects: This will result in increased investigative capability.

Base:
FTE: 104 Estimate: $6,494,000

Program Increase:
FTE: -- Estimate: $272,000

Proposal: To provide for the cost of GSA Standard Level User Charges that exceed the current service estimate for existing space holding.

Rationale: The current services estimate for GSA Standard Level User Charges is insuffienct to fund the FY 1987 GSA charges for existing OIG space.

Program Effects: This increase is part of an overall pricing change, and will not affect program performance. There is no increase in space from the FY 1986 level.

Base:
FTE: -- Estimate: $1,489,000

Program Increase:
FTE: -- Estimate: $ 48,000

Proposal: A reduction of 3 FTEs.

Rationale: As a result of increased productivity and lower average grade costs of positions projected by the program, the Office of Labor Racketeering can adquately fulfill its goals and objectives with reduced staffing and related funding.

Program Effects: Due to the increased productivity of existing staff, made possible by efficiency in program activites, there will be no program effect.

OIG-30

Base:
FTE: 104 Estimate: $6,494,000

Program Decrease:
FTE: -3 Estimate: -$412,000

Proposal: A reduction of $79,000 in administrative support services costs.

Rationale: This reduction is necessary as a result of WCF workload changes.

Program Effects: None.

Base:
FTE: -- Estimate: $1,752,000

Program Decrease:
FTE: -- Estimate: -$79,000

OFFICE OF LABOR RACKETEERING

WORKLOAD ACCOMPLISHMENTS

	1985 Actual	1986 Estimate	1987 Estimate
INVESTIGATIONS	55	59	64
FTE	(90)	(104)	(101)

OIG-32

Executive Direction and Management

1985 2/ Comparable		1986 Appropriation		1986 1/2/ Estimate		1987 Estimate		Increase or Decrease	
FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
49	$4,383,000	43	$5,046,000	47	$4,834,000	45	$3,711,000	-2	-$1,123,000

1/ Included in 1986 Estimate above:
Sequestered under P.L. 99-177.....-$211,000 and -3 FTE.
Withdrawal pursuant to P.L. 99-190..... $ 1,000 and 0 FTE.

2/ Includes 7 FTE comparatively transferred in FY 1986 from DM, WCF.

Introduction

This activity provides for management direction as well as planning, evaluation, legislative liaison, personnel operations, financial management and administrative support functions necessary to carry out the nationwide responsibilities of the OIG on a timely and cost-effective basis.

The major objectives of the activity are to provide effective management, to consolidate administrative support functions, to develop improved management information and automated data processing systems, and to coordinate staff and resource management. Executive Direction and Management (EDM) is also responsible for the initiatives in the ethics and integrity training and awareness program.

1987 Budget Request

The budget request for this activity totals $3,711,000 and 45 FTEs. This represents a reduction of 2 FTEs and $1,123,000 from 1986.

The emphasis of the Executive Direction and Management activity will be to improve the efficiency and effectiveness of management and administrative support operations. Action will be taken to achieve optimum utilization of personnel resources.

In the ADP area, where funds were reduced, an effort will be made to purchase software that can be used by the Office of Audit for the enhancement of field audits. Training will be provided for auditors and investigators on the use of microcomputer techniques in the conduct of audits and investigations.

1986

EDM will continue the initiatives in the ethics and integrity program, legislative review and assessment, and carry out basic executive and administrative support responsibilities. Emphasis will be placed on improving the data available to manage the programs within the Office of the Inspector General.

Seven positions were transferred from the Office of the Assistant Secretary for Administration and Management for personnel functions. The funds associated with this transfer are offset by a reduction in Working Capital Fund charges.

As a result of reduced FTE, the effect of the Gramm-Rudman Act for the Executive Direction and Management staff will be an increase in the response time for personnel and administrative services.

1985

Executive leadership, management direction and administrative support services were provided for all programs.

OIG completed the initial phase of its field minicomputers network with installation of minicomputers in Philadelphia and Chicago. The purchase of minicomputers was established as a general policy in 1985 when cost analysis established the enormous savings of purchase over lease. Microcomputer resources provide OLR agents with computer tools for use in those cases where the security of Grand Jury information, subjects or informants dictate that telecommunication links with the minicomputers pose a serious risk.

Changes for 1987

Activity Changes:

Built-in:	
Personnel costs including net cost of within-grade promotions effective in 1987, net cost of annualized within-grade promotions effective in 1986, and increased cost of merit pay contributions.....	+$20,000
Nonpersonnel costs including increased cost of GSA Standard Level User Charges, increased cost of rent, communications, and utilities, increased cost of administrative support services, increased cost of supplies, increased cost of equipment, increased cost of miscellneous contracts, and increased cost of contracts.....	+$176,000
Subtotal.....	+$196,000
Net program.....	-$1,319,000
FTE.....	-2

Executive Direction and Management

Proposal: An increase of $211,000 to provide funds for the staff of Executive Direction and Management to enhance their efficient and productive services to all offices in OIG.

Rationale: To provide additional resources for personnel, financial and administrative activities.

OIG-34

Program Effects: This will result in decreased response time for personnel, financial, and administrative services.

Base :
FTE: 47 Estimate: $5,030,000

Program Increase:
FTE: +3 Estimate: $211,000

Proposal : To provide for increased funding for development of ADP training packages.

Rationale: This increase will allow for the Division of Information Resources to increase funding for development of technical training packages.

Program Effects: This increase will provide for professional services to develop program technical training packages for auditors and investigators in the use of computers.

Base:
FTE: -- Estimate: $9,000

Program Increase:
FTE: -- Estimate: $1,000

Proposal: To provide for the cost of GSA Standard Level User Charges that exceed the current service estimate for existing OIG space holdings.

Rationale: The current services estimate for GSA Standard Level User Charges is insufficient to fund the FY 1987 GSA charges for existing OIG space.

Program Effects: This increase is part of an overall pricing change, and will not affect program performance. There is no increase in space from the 1986 level.

Base:
FTE: -- Estimate: $1,489,000

Program Increase:
FTE: -- Estimate: $24,000

Proposal: A reduction of 5 FTEs.

Rationale: As a result of increased productivity and lower average grade costs of positions projected by the program, Executive Direction and Management can adequately fulfill its goals and objectives with reduced staffing and related funding.

Program Effects: Due to the increased productivity of existing staff, made possible by efficiency in program activities, there will be no program effect.

Base:
FTE: 47 Estimate: $5,030,000

Program Decrease:
FTE: -5 Estimate: -$829,000

Proposal: A reduction of $19,000 in administrative support services costs.

Rationale: This reduction is necessary as a result of WCF workload changes.

Program Effects: None.

Base:
FTE: -- Estimate: $1,752,000

Program Decrease:
FTE: -- Estimate: -$19,000

Proposal: A reduction of $707,000 in ADP resources.

Rationale: To reflect savings achieved through reduction in areas of contracted computer program specialists, OIG Communication Network, essential software packages, and training.

Program Effects: This will result in decreased contracted computer specialist support of audits and investigations. IBM Mainframe support will be eliminated; and the OIG Communication Network would be discontinued and dismantled. Training for auditors and investigators in the state of the art computer investigative and auditing techniques would be cut back.

Base:
FTE: 12 Estimate: $2,256,000

Program Decrease:
FTE: -- Estimate: -$707,000

OIG-36

EXECUTIVE DIRECTION AND MANAGEMENT

WORKLOAD ACCOMPLISHMENTS

	1985 Actual	1986 Estimate	1987 Estimate
EXECUTIVE DIRECTION AND MANAGEMENT			
FTE	(42)	(47)	(45)

Office of the Inspector General

ADVISORY AND ASSISTANCE SERVICES
(Formerly Consultant Services)

Type	FY 1986	FY 1987
Advisory and Assistance Services....	$6,825,000	$8,276,000
Personnel Appointments:		
a. Consultants & Experts.....	--	--
b. Advisory Commission Members.....	--	--
Total.....	$6,825,000	$8,276,000
Withdrawn from Obligation under Section 515, Treasury-Postal Service Appropriations Act, 1986. (Referenced in P.L. 99-190).....	-266,000	
Revised Total.....	$6,559,000	$8,276,000

Justification of FY 1987 Request

The Office of the Inspector General plans to retain professional services to develop technical training packages for training auditors and investigators in the use of computers and to evaluate the need for ADP resources. ($10,000)

OIG plans to continue to retain contract audit services to review Departmental programs in order to detect significant instances of fraud and waste. ($8,266,000)

STANDARD FORM 306
July 1968, Bureau of the Budget
Circular No. A-11, Revised.

CIG-38

DETAIL OF PERMANENT POSITIONS

	FY 1985 Comparable	FY 1986 Estimate	FY 1987 Estimate
Executive level IV	1	1	1
Subtotal	1	1	1
ES-4	2	2	2
ES-3	1	1	1
ES-2	1	1	1
ES-1	2	2	2
Subtotal	6	6	6
GS/GM-15	26	26	26
GS/GM-14	60	60	50
GS/GM-13	150	152	147
GS-12	163	166	161
GS-11	25	26	25
GS-10			
GS-9	31	26	23
GS-8	11	11	11
GS-7	23	22	15
GS-6	22	22	22
GS-5	28	28	14
GS-4	12	12	12
GS-3	6	6	5
Subtotal	557	557	521
Total Permanent Positions	564	564	528
Unfilled Positions, end-of year	-8	-8	-2
Total permanent employment, end-of-year	556	556	526

TUESDAY, FEBRUARY 25, 1986.

BUREAU OF LABOR STATISTICS

SALARIES AND EXPENSES

WITNESSES

JANET L. NORWOOD, COMMISSIONER OF LABOR STATISTICS
WILLIAM G. BARRON, DEPUTY COMMISSIONER FOR ADMINISTRATION AND INTERNAL OPERATIONS
KENNETH V. DALTON, ASSOCIATE COMMISSIONER FOR PRICES AND LIVING CONDITIONS
THOMAS J. PLEWES, ASSOCIATE COMMISSIONER FOR EMPLOYMENT AND UNEMPLOYMENT STATISTICS
MARY ANNE WHITCOMB, FINANCIAL MANAGER, DIVISION OF FINANCIAL PLANNING AND MANAGEMENT
MARY ANN WYRSCH, DIRECTOR, OFFICE OF BUDGET

INTRODUCTIONS

Mr. NATCHER. At this time, we have before the committee Dr. Janet L. Norwood, the Commissioner of Labor Statistics.

Dr. Norwood, it is always a pleasure to have you before the committee.

We are glad to have you back, and before you start, tell us who you have with you there at the table.

Ms. NORWOOD. I'll be glad to. We have, on my far left, Mary Anne Whitcomb, our Financial Manager; Bill Barron, who is our Deputy Commissioner for Administration and Internal Operations; and Tom Plewes on my right, Associate Commissioner for Employment and Unemployment Statistics; Kenneth Dalton, Associate Commissioner for Prices and Living Conditions; and Mary Ann Wyrsch, who is the Budget Director for the Department of Labor.

OPENING STATEMENT

Mr. NATCHER. We are delighted to have all of you before the committee, and we will be pleased to hear from you.

Ms. NORWOOD. I would like to summarize my statement very briefly, Mr. Chairman.

We are presenting a very lean budget. It is a total request for fiscal year 1987 of $195.9 million. Of that, there are approximately $8 million in mandatory cost increases over which we have no control.

There are a large number, some $12 million, of decreases, and a few program increases which I would be glad to describe to you, and we are attempting in the 1987 budget to deal in a responsible way with the Gramm-Rudman cuts of 1986.

I believe that it is very important for us to recognize that there are problems in across-the-board cutting of statistical programs of the kind that the Bureau of Labor Statistics produces. What I have tried to do in fiscal year 1986 is, of course, to take the cuts appropriately in every program activity, but I decided with considerable concern and work to do, this in the most responsible way that we could.

The data that we produce in the price area, in the employment, wage, and productivity area are data that are used to run the economy, and may I say also, to interpret and develop estimates of the deficit upon which the Gramm-Rudman legislation and all other budget legislation is based. What we did was to try to injure the quality of our indicators as little as possible by delaying and postponing things such as sample replenishment, sample redesign, weighting and so on.

These are things which will dilute the quality of these indicators, and cannot proceed for very long, so what we have done in fiscal year 1987 in the President's budget is essentially to add those cuts back, and take cuts in other programs, so that we have a so-called Gramm-Rudmanized budget here before you. It does not, however, cut things as important as the Consumer Price Index, or the basic household survey from which we get our labor force, and unemployment data, and so on.

I do want to comment about the fact that we are cutting some programs of some importance, but in these days of trying to be responsible about the Federal Government's deficit, some hard decisions have had to be made.

We have a minimum of increases, basically three programs of very, very small increase to allow us to cope within the law. There are legal requirements for security of the Consumer Price Index, now that there is a futures market on it. We have an increase for the pay comparability survey, and I am pleased to say to you that it is a rather innovative design which will cost less money than when it had been discussed much earlier. A relatively small increase of about a million dollars will be needed to begin the development of a more modern system for our basic universe, which is probably the most important thing that could be done to continue the maintenance of the quality of sample surveys.

It will also permit us to begin the development of a longitudinal file to understand what is happening with job creation. I cannot complete my statement, Mr. Chairman, without expressing to you my concerns about the validity of the statistical system.

The quality must not erode. We are now in a situation where we have an economy that is run by the numbers. We must find ways to keep our data relevant to changing conditions and up to the state of the statistical art.

I believe that the President's budget, which is before you today, does just that. That is the end of my statement.

[The statement of Ms. Norwood follows:]

Statement of Dr. Janet L. Norwood
Commissioner of Labor Statistics

before the

House Appropriations Subcommittee on
Labor, Health and Human Services,
and Related Agencies

February 25, 1986

Mr. Chairman and Members of the Subcommittee:

I appreciate this opportunity to appear before you to present the Bureau of Labor Statistics (BLS) appropriations request for Fiscal Year 1987.

In FY 1986, the BLS has taken automatic reductions in compliance with Gramm-Rudman-Hollings legislation. In selecting areas for reduction, I tried to protect the quality of our core programs as much as the requirement to cut each program and project permitted. I also took into account consistency with the FY 1987 budget request. The lack of flexibility, however, in selecting specific areas to be affected required cutbacks across all major programs in data collection and publications as well as in sample maintenance, quality control, and technology. In many cases, these reductions dilute program quality; given the uses of these important indicators, this is a matter of great concern to me.

The specific nature of the Gramm-Rudman-Hollings FY 1986 reductions are described in the budget narrative; they affect every major Bureau indicator.

The FY 1987 request is for $195.9 million. I believe this budget is tight but responsible. Although this request reflects increases over the 1986 appropriated level, it includes $8.0 million to cover rising costs over which the Bureau has no control, such as increases in State salaries and space rent.

The basic core programs, which account for the bulk of the resources in this request, represent a broad range of important and well-known economic statistics, such as employment and unemployment data; the consumer, producer, and international price measures; wage and benefit data; and productivity and economic growth measures. They are used extensively to monitor the state of the economy and to support economic policy planning and decisionmaking. Even in these times of budget austerity, there are a number of issues so pressing that they simply must be addressed. As a result, the Bureau requests additional resources to meet the following needs:

1. Funds are requested to enable BLS, at the beginning of FY 1987, to repair the deferrals, delays, and quality losses that affected major indicators in 1986. In the case of the CPI, these funds would permit a start on the multi-year effort required to replenish the 1986 city sample reduction.
2. An expansion of the survey of Professional, Administrative, Technical and Clerical (PATC) pay in white-collar occupations throughout the Nation to provide data from a broader group of industries, including State

and local governments, and smaller establishments than the present survey covers. This expansion reflects the President's endorsement of the recommendation of his Cabinet Council on Management and Administration. It will increase the quality and scope of the data available for use in setting Federal white-collar salary levels.

3. A new Universe Maintenance System (UMS) which is critical to the efficient management of the Bureau's universe file of over five million business establishments used in all BLS sample surveys. The new system will also permit the development of a new longitudinal data base, which will enable the Bureau to identify--as the data base expands--the types and characteristics of establishments that have shown job creation activity over time. The Bureau will then be able to analyze different characteristics of job-creating and job-losing establishments. I believe that this systems initiative is central to the maintenance of the quality of all BLS surveys. In addition, it will provide us with an important tool for understanding the characteristics of companies which create employment.
4. A strengthening of the Bureau's security measures to protect the Consumer Price Index from premature release, now that futures contracts based on the index are being traded in the commodity futures market.

Partially offsetting these increases are reductions designed to permit us to carry out the increases in higher priority areas that I have just described within the overall budget limitations.

These include:

1. Reduction in the Occupational Employment Statistics program;
2. Reduction in the Bureau's Economic Growth and Employment Projections program;
3. Elimination of the survey of the Permanent Mass Layoffs and Plant Closings;
4. Reduction in area employment detail in the Current Employment Statistics program;
5. To comply with the President's productivity improvement plan, the budget request reflects a reduction in personnel and funds. The manner in which these savings will be achieved will be identified during the course of FY 1986.

In addition, the FY 1987 request includes the previously planned reduction in the multi-year Consumer Price Index Revision program as previously approved by OMB and the Congress and elimination of one-time funding for SIC refiling in the Employment and Wages (ES-202) program.

As the Bureau makes the significant changes proposed in program over the course of the coming year, we will continue to give close attention to the conservation of base resources by careful monitoring of expenditures. I am proud of the management initiatives we have introduced at BLS and assure you that we will do everything possible to continue to produce data that are relevant and of high quality.

Mr. Chairman, I am ready to answer any questions you may have. Thank you.

PROGRAM IMPROVEMENTS

Mr. NATCHER. Dr. Norwood, you have been Commissioner now for about eight years, I believe. Tell us, if you will, if you feel that there have been significant improvements in the Bureau's programs over that period, and if you believe that, Dr. Norwood, give us one or two examples.

Ms. NORWOOD. I would be glad to do that. There have been improvements. You should know that we have done really a complete rearrangement within the Bureau. Since I have been Commissioner, we have had a series of program and administrative cuts which have been partially offset by a number of program increases with the result that the overall level of program funds in our base has been rearranged and reduced in real terms.

With that, we have made great strides in the employment and unemployment area.

We have begun and made great progress in the modernization of our monthly establishment statistics program, which gives us the basic information on industry employment, so that we know what is happening to the economy.

We have completely revised the Producer Price Program. We have developed measures of export and import prices at a time when our trade balance is a matter of very real concern.

We have improved some of our measures and developed a new measure of employment costs, which gives us some information about the union/non-union wage differentials, and differences by industry of the increases in wages of services versus manufacturing.

There are a lot of other improvements. We have also improved the statistical underpinnings of our programs. It has been a very difficult managerial task, I will say, because we have tried to rearrange the priorities within the Bureau, but the Bureau has a very competent, capable, dedicated staff.

I am very proud of them, and what we have done.

PROGRAM DECREASES

Mr. NATCHER. Do you have some statistical programs that have been reduced below an acceptable level of quality as a result of budget cuts? Do you feel that any of them have reached that point?4

Ms. NORWOOD. It is always very difficult, Mr. Chairman, to answer a question like that. May I say that I am very concerned about the reductions that we have taken in Bureau overhead. I believe you will find that we are running the Bureau with the leanest overhead of just about any other agency around, and it is so low that we are beginning to feel problems.

I believe that we need to invest in new technology, so some years down the road we could come to you and tell you that we have used the technology and are, therefore, able to save the costs of increasing people, and increasing the use of some of the processing.

I believe that it is necessary to continue to do new things, and I think if there is one thing that I would point out, that I am especially concerned about, it is the maintenance of the basic file from which we draw all of our samples.

That has, in fact, deteriorated to the point that I am very concerned about it, and that is why, even in this budget climate, we have managed to take cuts in other programs, so we could come to you with a small proposal, very small proposal, for the beginning of its redevelopment.

I might say also that I do want to be sure that I understand that there is nothing in the BLS budget to take account of the costs of a SIC revision.

OMB has just issued a statement in the Federal Register about a revision of the standard industrial classification. It is not yet clear exactly what the scope of that would be,. If there is a revision, that is, if OMB decides that there is to be a revision, we must be funded so that we also will be on the same classification structure as the rest of the statistical system.

I think it is early for that, and for that reason, there is nothing in this budget, because we can not defend something when we don't know its scope, but I do want to alert you to that fact.

1987 BUDGET

Mr. NATCHER. As you have stated, your budget request is $195.896 million, and this includes trust fund transfers of $36.506 million. This is an increase of less than a million dollars over the 1986 appropriation.

I believe that is correct?

Ms. NORWOOD. Yes.

Mr. NATCHER. Is this budget adequate for the Bureau to carry out its responsibilities for the fiscal year 1987?

Ms. NORWOOD. We will try our best.

GRAMM-RUDMAN-HOLLINGS

Mr. NATCHER. All right.

Now, in 1986, you sustain a reduction of $8.382 million and 60 FTE's as a result of Gramm-Rudman. Tell the committee what actions you will have to take as a result of this cut.

Ms. NORWOOD. What we are doing, as I indicated in my introductory statement, is attempting to preserve the quality, to the extent that it is possible to do so, of our major statistical indicators.

For that reason, we have postponed—we have taken the approach not of reducing forevermore the quality, but of postponing some things that really must be done.

For example, in the price area, we have a system of constant updating of samples, because retail establishments, which are included in the CPI and producers, which are included in the PPI, go in and out of business, and their products change.

Unless we want to have price indexes that do not show what is happening in the economy, we must have an ongoing program for resampling.

We are suspending that resampling in the case of the Producer Price Index, in the case of our import and export price indexes, and in some ways in the case of the Consumer Price Index.

In addition, the Consumer Price Index revision program is a Gramm-Rudman program activity, and it also had to be cut, so the CPI got hit twice.

Our plan for that has been and is to eliminate a number of cities from the geographic area sample that we were planning to add as a part of the revision program which we have been working toward for some time.

That would increase the sampling error in the CPI, and therefore it would increase the amount of uncertainty surrounding the effective use of the CPI. I have asked our staff to work very hard to try to avoid that cut.

I cannot guarantee you at this point that we will be able to do so, but that particular cut, I think, would be disastrous for the future of the CPI, and I am trying very hard not to do that.

It amounts, for example, to increasing the uncertainty surrounding a four percent annual inflation rate by a degree which could translate into a Fiscal effect of approximately $100 million in Federal revenues and expenditures, by way of comparision we could be making that cut in order to save approximately $500,000.

I think that is very unwise, and we will do everything we can not to put some of these things into effect, but that is basically the reason that I suggested to you that in all of our programs, in the wage area, in the employment, unemployment area, and in the price and productivity area, that we absolutely must restore those cuts back in fiscal year 1987.

We cannot continue to suspend sample maintenance for very long.

Mr. NATCHER. Will there be any furloughs in the Bureau of Labor Statistics in 1986?

Ms. NORWOOD. We hope not, Mr. Chairman, and we are doing everything we can to avoid them.

EMPLOYEES

Mr. NATCHER. How many employees are currently on board?

Ms. WHITCOMB. 2,555 employees are on board, as of January 18.

Mr. NATCHER. Will that number decrease between now and the end of 1987?

Ms. NORWOOD. Yes, there is a planned decrease.

Ms. WHITCOMB. Our request shows a decrease of 23 FTE between fiscal year 1986 and 1987.

Ms. NORWOOD. One of my greatest concerns is the problem that we have of continuing to attract and to keep capable young people in the Bureau. We are finding that increasingly difficult in this kind of governmental climate.

GRAMM-RUDMAN

Mr. NATCHER. On the summary of changes table on page 4 and 5 of the justifications, you show program increases for 1987 totaling $13,490,000.

Ms. NORWOOD. Yes, sir.

Mr. NATCHER. How much of that represents simply a restoration of 1986 Gramm-Rudman cuts?

Ms. NORWOOD. $7.6 million.

Mr. NATCHER. Provide a list, if you will, please, of those restorations, and you can place them in the record at this point.

[The information follows:]

GRAMM-RUDMAN RESTORATION

	FTE	Amount
To provide for costs necessary for completion of the CPS processing system and an estimation and publicatio. of employment measures for selected metropolitan statistical areas	+2	+$3,729
To provide for costs necessary for work on four areas in the Point of Purchase survey; resampling and updating of some PPI and IPP indexes, and processing of CES test data	+26	+2,183
To provide for costs for work in the Industry and Area Wage Surveys, Employment Cost Index, and Employer Benefits Survey	+11	+769
To provide for costs necessary for multifactor productivity measures and industry studies	+3	+212
To provide for costs necessary for service sector study in Economic Growth and Employment Projections Activity		+138
To provide for costs necessary for BLS administrative support services	+4	+566
Total	+46	+7,597

PRODUCTIVITY DECREASES

Mr. NATCHER. Dr. Norwood, on page 6, you show a reduction of 41 staff and $1.299 million as a result of increased productivity. Is this similar to the 10-percent administrative cut that was proposed in last year's budget?

Ms. NORWOOD. Yes, sir.

Mr. NATCHER. How did you arrive at these numbers, Dr. Norwood?

Ms. NORWOOD. With great difficulty.

Mr. NATCHER. Tell us about it.

Ms. NORWOOD. That is a cut which at this point we are not sure how to take, but we will find a way. The cut has been distributed essentially across the Bureau, program by program, and it will be difficult to achieve.

PERMANENT MASS LAYOFF AND PLANT CLOSING REPORT

Mr. NATCHER. You propose to eliminate the plant closing and mass layoff survey, a program added, as you know, by Congress in the 1985 and 1986 budgets.

Dr. Norwood, why should we agree to this $5 million reduction?

Ms. NORWOOD. Mr. Chairman, I believe that the plant closings and mass layoff program is a very useful approach to get information on layoffs in establishments throughout the country, and more importantly than that, on what happens to the people who have been affected by those layoffs. However Mr. Chairman, we are in a position now where the Federal Government's deficit must be cut, and we cannot do everything.

In fiscal year 1982, and during the Carter years and the first Reagan Administration, we have eliminated just about every program that can be eliminated.

There is nothing more in terms of programs to be cut, because much of what we do now is required or referenced by law. I guess one might say that it is a matter of priorities.

Mr. NATCHER. Mr. Conte, I yield to you.

Mr. CONTE. Thank you, Mr. Chairman.

I want to welcome you back, Dr. Norwood. Let me say at the outset that I am disappointed that your budget request proposes to eliminate once again the Permanent Mass Layoff and Plant Closing Survey, one of the two small steps the Secretary indicated to me personally that he was willing to undertake voluntarily on the issue of plant closings.

This is not a battle that should need to be replayed year after year. I would advise that you had better get used to carrying this survey in your budget, or else I may find my usual warm feelings toward the Bureau of Labor Statistics a little harder to regenerate.

Ms. NORWOOD. I would certainly not want that to happen, Mr. Conte. The problem that I have is that I just don't have $5 million.

GRAMM-RUDMAN-HOLLINGS

Mr. CONTE. Well, your fiscal year 1987 budget request not only seeks to restore all the Gramm-Rudman reduction in fiscal year 1986, but even provides an increase over the pre-sequestration appropriation level.

Now, I voted against Gramm-Rudman, and filed suit against its constitutionality, but if that is the road we are going down, we are not going to get there by restoring every agency their fiscal year 1986 reduction.

Ms. NORWOOD. I am quite aware of that, but I would submit to you that I cannot, as a responsible person heading an important agency in the statistical system, come to you and tell you you should not permit us to resample petroleum imports at a time when we are not sure what is happening to the prices of petroleum.

I cannot tell you that we should increase the uncertainty surrounding the Consumer Price Index, and I cannot tell you that we should go on more and more cutting and eliminating local area unemployment and employment estimates in a period when I believe that differences in the labor market are becoming more apparent.

In fiscal year 1982, the BLS eliminated or reduced 19 individual programs. Since I have been Commissioner, we have had a series of program and administrative cuts which have been partially offset by a number of program increases with the result that the overall level of program fundings in our base has been rearranged and reduced fundings in our base has been rearranged and reduced in real terms.

There is just so much you can do within the statistical design of the programs that we have. I know of no other way to do this in a responsible manner.

PROGRAM INCREASES

Mr. CONTE. Are those the only increases that you are proposing?

Ms. NORWOOD. We are proposing a restoration of the sampling and other changes that we are suspending during 1986, that is $7.6 million, and we are counterbalancing that with $11.5 million in cuts in other programs.

We also have $8 million in mandatory increases over which we have no control, none whatsoever. In addition, we have three program increases, and I would like to discuss those with you, if I might.

Mr. CONTE. Go ahead.

Ms. NORWOOD. One is a small amount to improve the security surrounding the Consumer Price Index, which is now being sold on futures markets. There are regulations from OPM that have been in effect for some time about security investigations and other rules which we in the Bureau of Labor Statistics do not have money enough to carry out; and this is a small increase which would permit us to begin to meet the requirements of the law.

A second increase is for about a million dollars, which I consider to be absolutely essential, and that is to begin the modernization of the system that we use to keep up the universe of 5 million establishments from which we select every one of our samples for all of our surveys.

That system has been going into disrepair. It is an obsolete system. It is expensive. It is something that if we do not replace is going probably to fall apart pretty soon.

That is only a million dollars, and I want to emphasize to you that we have taken some massive offsetting cuts we are proposing here in some of our other programs.

Then there is $2 million for the pay comparability survey. That is something which was based upon a Cabinet Council decision which was approved by the President, and we were asked by OMB to put that increase in our budget.

That is an attempt to expand the pay comparability survey to cover smaller establishments and other industries, and it is certainly useful, and it is important in the pay comparability process.

I do not believe that those increases are anything that is unnecessary or unwise.

PROFESSIONAL, ADMINISTRATIVE, TECHNICAL, AND CLERICAL PAY SURVEY

Mr. CONTE. Well, let's talk about that 2 million now. As I understand it, this is a survey used to compare the salary levels of government white-collar workers with the rest of the white-collar work force, and to recommend the level of pay increases.

This survey usually results in a recommendation of a substantial increase in Federal salaries, and that this Administration, I don't know about others, has never agreed with those recommendations, saying they are always too high.

Am I fair in saying that?

Ms. NORWOOD. The facts are correct. I am not sure I would state them in quite that way, but Mr. Conte, one of the reasons that the pay comparability differential is so large is because the survey which is required by law is restricted to large establishments, and it has been studied by GAO, by the Rockefeller Panel some years ago, and by—in this Administration—by a special Cabinet Council group.

The feeling has been that it would be wiser and better and more objective to cover the whole economy, and it is for that reason that this has been decided upon by the Administration as a part of its policy on pay comparability.

That is, of course, a decision for the Congress to make, but there is a law requiring pay comparability and requiring a BLS survey.

Quite apart from this pay comparability, which is the real basis for the plan we have, this survey is the only source of data on white-collar salaries in the economy, on the leveis of white-collar salaries, and in this period where there is such a large shift in the service-producing sector, and people are so concerned about whether the jobs which are being created are so-called good or bad jobs, these data would be very useful.

Mr. CONTE. What level of increases have the recommendations based on the last two PATC surveys projected?

Ms. NORWOOD. I can supply that for the record. I don't have it in hand.

[The information follows:]

The 1984 Annual Report of the President's Pay Agent indicates an average 18.28 percent pay gap in favor of private industry, using the present OPM method of comparsion. In 1985, the report indicated 19.15 percent. Both figures reflect the difference between Federal pay levels and comparable private industry levels at a given point in time, including that portion of the Agent's recommendation postponed from prior years. For example, 14.78 percent of the 1985 pay gap is an accumulation spanning eight years.

Mr. CONTE. On page BLS-31 of the justification, at the bottom there, it says 19 percent.

Ms. NORWOOD. That is the aggregate over several years, and you know, one of the problems is people look at this and they add up each year the differences and then they say, "How can a survey be decent if it produces almost a 20-percent differential?"

Well, it does not produce a 20-percent differential in each year. This is just the backlog that has occurred.

The plan, I should tell you that this plan, we have been struggling with this issue really since the days of the Nixon Administration, and the Rockefeller Panel, which was put together somewhere around that time, recommended an immediate change.

Now, we had proposed something at that time. It would have been much more expensive, and we have found ways to do this more cheaply, but this is basically an Administration proposal.

I strongly support it, but it is basically something to carry out the intent of the law.

Mr. CONTE. I have seen two articles. One was dated March 4, 1984, in which Mike Causey states: "OPM wants to broaden the annual Bureau of Labor Statistics survey of private-sector pay rates to include some small firms.

"OPM believes such a system would give a better picture of private-sector salaries and also result in lowered recommendations for U.S. pay raises in the future."

The second, dated February 1, 1985, also by Mike Causey, describes a disagreement between certain BLS staff and OPM over the data used by OPM to justify a plan to cut and freeze Federal salaries. And in 1986, in the budget request, there is $2 million to broaden the PATC survey, just as OPM wanted two years ago.

This is an OPM initiative, I take it?

Ms. NORWOOD. It is the President's pay agent which is much broader than OPM. It is OMB, and it is my understanding that this proposal has been discussed with the President. I can't vouch for that, I wasn't there, but that is what I have been told.

Mr. CONTE. It is the President's?

Ms. NORWOOD. It is the Administration's view. You see, we have a system that is based upon a law for pay comparability, and year after year, we have the problem of explaining to people why we are not carrying it out, and the view is really that because the survey has been restricted to large establishments, it does not represent the totality of wages and salaries that are out there.

That is certainly true. That is the way it was designed. We are merely the agent for doing this. We are the statistical agent. We do not set the parameters of the survey.

That is done by the President's pay agent, which is made up of the head of OPM, and the head of OMB, and the Secretary of Labor, and they believe that this is important, and it is for that reason that OMB directed us to put this in our budget, and we support it.

Mr. CONTE. Okay, thank you, Mr. Chairman.

PERMANENT MASS LAYOFF AND PLANT CLOSING

Mr. NATCHER. Now, Dr. Norwood, going back just for a moment to the plant closings and mass layoff report, how will you spend the 1986 appropriation in this program?

Ms. NORWOOD. What we plan to do will depend in part upon how the Congress reacts to this, because there are really two ways that we could go.

One is if the mass layoff program is being phased out, we could try to use that money for the few States that have already developed systems to permit them to have money over the next few years, to run their programs.

The other possibility, if it were to stay, and that is still a possibility, of course, is to provide some of the funds for States, so that they would have some continuity. A good bit of the money could be used to begin the development of the systems that are required in some of the States that have great difficulty.

I should tell you, Mr. Chairman, that we have some very early preliminary data that have not been reviewed fully, but they do show some interesting developments on mass layoffs.

I think, Mr. Conte you might be interested in them, because they do show that there is a somewhat larger effect on the Hispanic population, in two of the four States when data have been tabulated and of course on women, than we had expected.

This is just for four States for six months, we have a little less than 50,000 people who have been affected.

The Bureau does plan to submit a report. I might also point out that in your State of Massachusetts, this survey is being used in a very innovative and imaginative way, to help to find out the areas where there is need for the employment security agency to move.

I want to emphasize to all of you that we are making some very difficult decisions. There just is not enough money to do all that we would like to do.

LABOR MARKET INFORMATION PROGRAMS

Mr. NATCHER. Dr. Norwood, how much are you requesting for the State-Federal cooperative programs in 1987, and how does that compare with 1986?

Ms. NORWOOD. I will provide that for the record.
[The information follows:]

BUREAU OF LABOR STATISTICS LABOR MARKET INFORMATION ACTIVITIES

[In thousands of dollars]

Program	State portion of BLS budget	
	FY 1986 presequestered	FY 1987 request level
Employment, hours and earnings statistics—790	18,385	19,231
Insured employment and wages—ES 202	15,889	15,146
Occupational employment statistics	5,768	5,143
Local area unemployment statistics	9,018	9,433
Permanent mass layoffs and plant closings	4,084	0
Totals	53,144	48,953

Ms. NORWOOD. I can tell you that the total for the whole employment-unemployment statistics program goes up only about $1 million for the entire program. There are some rather large cuts there.

In particular, the Occupational Employment Statistics Program, as well as in some of the mandatories that go to the States, which will have the effect of reducing local area data.

Mr. Plewes and I spent some time visiting with the Labor Market Information Committee of the State Employment Security Agencies to discuss with them what the effects of these cuts would be on them, since they are our partners in the programs, and we hope that we will be able to work closely with them to keep as much data as we can from these programs.

Mr. NATCHER. Dr. Norwood, you are proposing to cut the Occupational Employment Statistics Program by $900,000. What effect would this have?

Ms. NORWOOD. The Occupational Employment Statistics Program will have less data available from it. What does that mean?

At the State level, where most of the cuts will take effect, it will mean that the individual States will have much greater difficulty in making, in developing an occupation by industry matrix, and then making the projections of the future that they use in making estimates of where they should place their vocational education funds and some other things.

Mr. PLEWES. Mr. Chairman, we have tried to take the reductions in the OES program in a way so it would have the least impact possible on the States.

Many of the States right now supplement the Occupational Employment Statistics Survey with their own monies so they are able to expand its coverage and detail in areas which they think are important for their projections for vocational education and other aspects of their program.

We have kept the program in the same framework that it is in now. As we have said the only way to save money is to cut back on the number of establishments we survey, and if we do that, we will cut back on the level of industry detail that we can publish.

Thus we are taking a cut in the industry detail that the Federal Government will pay for, but allowing the States to supplement it, if they choose. We will maintain a base program, smaller than the one we have now, but a base program that allows the States to continue to do many things that they are currently doing.

Ms. NORWOOD. It will reduce the industry detail that the States have, so that they will not have information on the steel or the auto industry. They will have information on the bigger, broader aggregates.

Mr. NATCHER. Why is it necessary to reduce the Current Employment Statistics program by $1.366 million?

Ms. NORWOOD. That is a proper reduction to offset an increase in mandatories that is not included in the $9 million mandatory request. We are absorbing this in our budget, and that is another million dollars.

It is required. The States have these costs, and we cannot continue to tell the States to do things that we have paid for and then pull out the money.

We have got to cut the programs. That is the problem with the statistical programs. Either that or you eliminate a whole program, and we have done that.

We have done that quite successfully, but there are not many more that we can eliminate, because they are all required by law now, or you reduce the level of detail either by industry or by area, or you reduce the quality, by cutting the samples or increasing the non-sampling error, by eliminating some of the quality control, and so on.

There is no other way to do it.

SERVICE SECTOR

Mr. NATCHER. How much are you budgeting for service sector activities in 1986 and 1987, both as to staff and as to dollars?

Mr. BARRON. In 1986, $2.2 million; in 1987, $2.3 million and 40 positions, that is essentially the money that Congress has added to our budget for that effort.

Mr. NATCHER. How much progress is being made in service sector data collection?

Ms. NORWOOD. We have begun data collection in the areas that have been planned. In the wage area, for example, and to some extent, we are at the brink of doing some of that in the price area.

We have cut back doing some because of the Gramm-Rudman cuts. Also we are at work in the productivity area on new indexes, so I can tell you that I think we are making progress in that area.

CONSUMER PRICE INDEX REVISION

Mr. NATCHER. Is the revision of the Consumer Price Index proceeding on schedule?

Ms. NORWOOD. Yes, sir.

Mr. NATCHER. What is your latest estimate of the total cost of the revision?

Mr. BARRON. Approximately $46 million.

Mr. NATCHER. Will the CPI revision be adversely affected by the Gramm-Rudman cut in 1986?

Ms. NORWOOD. Yes, of course.

PROFESSIONAL, ADMINISTRATIVE, TECHNICAL, AND CLERICAL PAY SURVEY

Mr. NATCHER. You are requesting an increase of $2.062 million, and 46 staff for expansion of the Professional, Administrative, Technical and Clerical Pay Survey. The justification says on page 30 that the Survey is being expanded in 1986 with special funding arrangements made for fiscal year 1986 by the Office of Management and Budget.

What do you mean by that, Dr. Norwood?

Ms. NORWOOD. The Office of Management and Budget decided that that work should begin. We are merely the service agent, as I said before to Mr. Conte. OMB apparently arranged for the other agencies of the government to be charged some money for the fiscal year 1986 costs.

BLS is not in the business of being a bill collector. We have asked the Department of Labor to handle that for us. I note that there is no agreement with the Treasury Department at all, and I note also that some of the agencies are somewhat slow in their payments.

That is not a situation that we can live with for very long, and OMB recognized that, and therefore requested that we put this in our budget this year.

It is also, Mr. Chairman, may I say, important that the Congress visit this program, and make its decision about what it wants done.

Mr. NATCHER. For the record, Dr. Norwood, provide a detailed analysis of the requested increases for 1987.

[The information follows:]

PATC SURVEY EXPANSION FOR FISCAL YEAR 1987

Survey private industries not now covered by the PATC survey, down to establishments having at least 20 workers, and survey State and local governments.

Update first-year survey data, using the appropriate ECI component(s) and combine update with this year's survey data.

Continue research/testing for new survey occupations and occupational approaches in small establishments; and develop a probability-based approach to selection of PATC occupations.

	Dollars (thousands)	Positions	FTE
Data collection including field coordination and training	1522.1	35	33.7
Data processing	222.4	4	3.8
Sampling and survey design	80.3	2	1.9
PATC job development, data review and analysis	152.9	3	2.8
Support functions	84.3	2	1.8
Total, FY 1987 programs	2062.0	46	44

Mr. NATCHER. Would it require a change in the law to include State and local governments in this survey? Would it be necessary?

Ms. NORWOOD. Yes, sir, a change in the law will be required for the Pay Agent to use this information, but that is not planned for 1987, I don't believe. That is some time later on. It does not affect the 1987 request.

Mr. NATCHER. At the proper time, and before the proper committee, that request would be made?

Ms. NORWOOD. Yes, sir. We have already informed the staffs of both of the committees that are concerned with this legislation, Mr. Chairman, because we wanted to be sure that before we started any data collection, the Congress was fully informed.

We have done that.

SPACE RENTAL

Mr. NATCHER. Page 8, you show an increase of about $2 million or 30 percent in space rental payments. What accounts for the large increase, Dr. Norwood?

Ms. NORWOOD. Mr. Barron?

Mr. BARRON. First, Mr. Chairman, we are not increasing our space holdings whatsoever. These are bills that are provided to us by GSA, and it is an abnormal increase. My understanding is that it reflects the fact that those rates were frozen in prior fiscal years.

We are occupying the same space, so this represents an increase in rates given to us by GSA.

Mr. NATCHER. The justification says on page 43, and several other places, that the increases in rent charges are "in excess of estimated increases in the Federal construction deflator."

What does this mean?

Mr. BARRON. Mr. Chairman, there is an adjustment factor that OMB uses——

Ms. NORWOOD. Which BLS does not produce.

Mr. BARRON [continuing]. To assess an individual agency's space rental increases. They have allowed us to ask for the total increase amount, but have not allowed us to ask for that amount as a mandatory.

Part appears as a program increase, and another part is a mandatory. They don't disagree with our findings, but they make us split it up.

FY 1985 FUND LAPSE

Mr. NATCHER. According to the appendix to the President's budget, the Bureau lapsed $2.843 million in fiscal year 1985, and returned it to the Treasury. What accounted for this?

Mr. BARRON. There are several factors, Mr. Chairman, in that. Two pieces of it were related to programs that were added to our budget by the Congress, where we simply were not successful in getting them started on the time schedule we had hoped to.

That is the increase for the service sector, and the increase for the permanent mass layoff proposal. The single biggest component of the carryover was in the CPI revision program where we were not able to hire at the grade levels we had budgeted.

We had hoped to hire at the 11 and 12 grade level, and we hired junior people at 5s and 7s, and had to contract out systems work, because we were unable to recruit those types of people.

Ms. NORWOOD. One of our biggest problems is to attract, as indicated earlier, people who are really of top quality in the systems area, statisticians and quantitative economists.

Those are the kinds of people that we hire, and they are in very great demand in the private sector, and we are finding it increasingly difficult to hire and to keep them.

This has meant we were forced to delay some of the work on the revision, but by and large, we are making up for that, and we expect to have the revision move along on its basic plan. As I am sure you will remember, since I have been before you many, many times, even before I was Commissioner, to testify on the 1978 revision, that this revision is much more efficiently planned, and really, there is much greater control over cost. It is a much cheaper revision than any in the past.

Mr. NATCHER. Mr. Conte, I yield to you.

PROFESSIONAL, ADMINISTRATIVE, TECHNICAL, AND CLERICAL PAY SURVEY

Mr. CONTE. When we finished, we were talking on the PATC survey.

Why should Congress give you the money in fiscal year 1987 if OMB has already given you the money in fiscal year 1986?

Ms. NORWOOD. OMB has requested that other agencies pay the Department of Labor, which then in turn pays us for fiscal year 1986. OMB has not made any allowance in those agencies' budgets for fiscal year 1987.

In fact, we have a memo from Mr. Wright of OMB asking us to add that to our budget in fiscal year 1987. As I indicated to you earlier, we are merely the agent of the President's pay agent.

Mr. CONTE. I know. Will you put that memo in the record?

Ms. NORWOOD. Sure.

[The information follows:]

OFFICE OF MANAGEMENT AND BUDGET,
Washington, DC, May 22, 1985.

Memorandum for: Selected Members of the President's Council on Management Improvement.

From: Joseph Wright.

Subject: Funding Mechanism to Expand the Scope of the Current PATC Survey.

The President recently approved an expansion of the scope of the current private sector survey on white collar pay (PATC survey), conducted by the Bureau of Labor Statistics (BLS). The expansion is to take place gradually over three years, with an estimated first year cost of $1.9 million.

We have decided that the funding for the PATC survey expansion in 1986 should be shared by 11 major Federal agencies through interagency agreement.

The BLS will not be held responsible for the cost of the expansion in 1986 because of budget constraints. Since the PATC survey affects Federal agencies' employees, the 1986 additional funding will be shared by 11 selected agencies based by and large on the proportion of FTE's allocated to each of the agencies. When major agencies' prorated share was $25,000 or less, their shares were combined and this pool was divided evenly between Labor and OPM. This allocation of costs was based upon Labor and OPM's role as members of the Pay Agent, a major user of the PATC survey data. The 1986 prorated costs of PATC expansion are shown on the attached table. In future years, BLS will include the expansion costs in its budget, rather than sharing the costs among the agencies.

The BLS will soon be contacting your agency with details on how the transfer of funds will be made.

Attachment.

1986 prorated costs of PATC expansion

Agency	*Cost (thousands)*
Agriculture	$93.4
Commerce	31.9
DOD	992.0
HHS	121.8
Interior	66.9
Justice	60.2
Labor	66.8
Transportation	57.2
Treasury	116.0
VA	207.0
OPM	66.8
Total	1,880.0

Mr. CONTE. Are you asking for any new employees?

Ms. NORWOOD. There are some people associated with the PATC Survey; most are data collectors and regional offices, some processing in the Washington office.

Mr. CONTE. Do you also include Congressmen in that survey?

Ms. NORWOOD. We would like to.

AVERAGE PAY LEVEL

Mr. CONTE. Looking at some of your other increases, on page 8 of your justification, there is an increase in the average pay level of your employees from an average of GS 10.5 in fiscal year 1985 to a projected GS 10.9 in fiscal year 1987, with the average salary at the GS/GM level going from $27,990 to $30,210.

I thought there was an initiative underway to decrease the average GS grade, and to put a freeze on Federal salaries.

Ms. NORWOOD. That is correct, there is. There are many initiatives underway, and many conflict with each other.

For example, if we follow as we have in many cases over the years, the initiative to contract out, what we are doing, and we have done that, we have contracted out a lot of processing work that was done by very low-graded employees.

That is going to raise our average grade level, because the kinds of things that must be done in the Bureau are things that involve rather intricate statistical designs, and you need to have competent statisticians to do that, and many other kinds of system design and quantitative analyses.

What has happened over the years is that the Bureau of Labor Statistics has been the leader, really, in moving things out. We used to, for example, run our own computer center.

We got rid of that, and use a computer center in the private sector, as well as NIH, and we have brought down our computer costs, but that has had the effect of eliminating many of our lower-graded employees.

As a matter of fact, I must say there is a very good, exceptionally good paper done by Mr. Barron here, describing the kinds of quality changes in employees that needs to be taken into account, and I would like to submit that directly to the Committee.

Mr. CONTE. All right.

SPACE RENT

In your justifications, there are two entries for increases in rent charged by GSA. The first is under "built-in costs" on page 3 of your justification, which is a matter of the amount of SLUC charged by GSA, I believe.

But there is a second entry on page 4 for "program increases" showing an increase of $1.412 million for increased rental costs.

What programmatic changes are you proposing that would require increased rent, particularly since your FTE level for fiscal year 1987 of 2,116 is less than your post-sequestration level of 2,139 in fiscal year 1986?

Mr. BARRON. What happens when we deal with OMB on our proposed mandatory increases is that they use an index of rental charges to the government, and if our proposed increase happens to equal the percent increase that index indicates, they allow us that amount of money as mandatory.

Above and beyond that, we must present it to the Congress as a program increase.

Ms. NORWOOD. But let me add and emphasize to that. that this is something again over which we have no control. We are told by GSA what the rent is going to be. OMB will allow us a certain proportion of that as mandatories and the rest must be shown as a program increase.

That is why it shows up as a program increase. It is the same amount of space.

SECURITY INCREASE

Mr. CONTE. I see. Interesting.

You also show an increase of $500,000 for increased security costs. Why can't you issue everybody keys and locked file cabinets, and tell them to keep their papers and computer files under lock and key?

Ms. NORWOOD. Yes. We do some of that. We have had to invest in locked cabinets, and things of that sort. This $500,000 is for several specific things.

It is to provide for greater guard service in the Bicentennial Building, where the Consumer Price Index staff is located, and it is to provide for security investigations which are required by OPM in sensitive positions.

The Coffee, Tea and Cocoa Exchange recently decided to open a futures market on the CPI.

Mr. CONTE. I heard you say that before. That is interesting.

Do you give them lie detector test down there?

Ms. NORWOOD. No, sir, we believe that our employees are honest.

Mr. CONTE. What do you need all this money for, then? You could save a half a million bucks just on that answer.

Ms. NORWOOD. The problem is that the futures market makes it very, very much more likely that people will try to get advanced information, and we must protect our own employees, and we must follow the rules that are established by the government.

We have not been doing that, and not making the security investigations. Before, we didn't have the money to do it, so given all of the things that are happening with the CPI futures market and the

fact that people could make hundreds of millions of dollars if they had advance warning, we have taken a number of steps in the Bureau, but there is more that needs to be done, and this is, in fact, a very small amount.

We are, for example, providing for a printer on-site, so that we don't have any hard copy out in a privately owned computer center in Rockville. We have also provided for a special telephone line dedicated for this.

It is absolutely essential in this kind of a climate. It has changed the climate in which we are operating.

Mr. CONTE. Can somebody tap into that line?

Ms. NORWOOD. I think it would be impossible.

Mr. CONTE. If we give you this half a million, the information will be held in secret until it is released.

Ms. NORWOOD. For the few days until it is released, yes, sir. We do have careful security. The atmosphere in which we are operating has changed, and if we don't upgrade what we are doing to take account of that change, we are going to be in very great difficulty.

That is my considered judgment, and I can assure you that this is a very small proposal, considering many of the things that we probably ought to be doing, but I think this is the minimum that is necessary.

Mr. CONTE. Of course.

Ms. NORWOOD. Yes, of course.

MANDATORY INCREASE

Mr. CONTE. One final question on increases.

In your statement and your justification, you ask for an increase of $3.471 million for increased costs in State operations for the Federal-State cooperative programs, which you say you have no control over.

It seems to me that under Gramm-Rudman, you have to be able to control those State costs, and that they cannot be exempt from sequester, and that Gramm-Rudman requires that any contracts or agreements be subject to Gramm-Rudman reductions.

It seems to me that you can no longer claim that State operations can no longer be called uncontrollable, and that you had better find a way to bring those under control so that you can control those State costs in the same way that you are now required to control Federal costs, so that everybody takes a hit?

Ms. NORWOOD. I am glad you raised that, because it gives me an opportunity to tell you about all the great things we have done to control State costs.

Several years ago, the Federal-State cooperative programs were run in a strange way, in which BLS had technical responsibility for the programs, and the Employment Training Administration the financial responsibility and management of fund responsibility for those programs.

That really did not work very well, and about three years ago, the Secretary of Labor decided that that money should be transferred to us and OMB and the Congress agreed.

Since that time, under Mr. Plewes' leadership, we have worked closely with the States to keep costs under control, to improve the quality of those programs.

You know, the basic monthly current Employment Statistics Program is important not only to our understanding of what is going on in the labor market, but it is a very important input to the national accounts, to the industrial production index, and lots of other things.

What this particular increase relates to is the State cost of increased space, rent, and salaries. Just as we have those costs, so they have those costs.

This is not the States moving ahead to spend money without control. In fact, I have been very impressed with some of the steps that the labor market information people in the States have taken.

Mr. CONTE. Okay.

Thank you, Mr. Chairman.

Mr. NATCHER. Dr. Norwood, we want to thank you and your associates for appearing before our committee at this time in behalf of your budget request for the fiscal year 1987.

This has been a good hearing, Dr. Norwood. Thank you very much. The committee will now adjourn until 10:00 Thursday morning.

[The following questions were submitted to be answered for the record:]

USER FEES

Mr. Conte: Would you describe what user fees you currently charge, and explain how, with all of the publications, data bases, and information you provide, you might be able to increase user fees to those who benefit from the data you provide?

Dr. Norwood: The Bureau performs some special work that is for the benefit of particular users who may be from the public or private sector. Such work is generally in line with the Bureau's mission and technical expertise. In such instances the Bureau contracts with the user and charges the full cost of production, distribution and overhead. The Bureau of Labor Statistics also provides magnetic tape and/or floppy disk media copies of it's various statistical series files. Recipients must pay for copies of these files in accordance with an established fee schedule. The fee schedules are based on the actual costs associated with providing this service. Bureau publications are provided to users for a sales or subscription charge. The sales of such materials, however, are conducted under the Government Printing Office's auspices, with GPO both establishing the price and receiving the fees. Current Bureau data are also made available to users through a mailgram service of the National Technical Information Service and computer data bases managed by a private vendor who retains the user access fees.

Existing laws, regulations, and judicial precedent preclude the option of charging users a fee greater than the actual costs of the service which they are provided. The Bureau does not have legal authority to make a "profit", nor can the Bureau charge fees for work performed as part of its usual functions.

Mr. Conte: For the record, please provide a list of all publications, data bases and information services you provide, what each of them does, how widely each is distributed, and what the charge for the information is?

Dr. Norwood: Publications - The BLS places its sales publications (which we call periodicals, bulletins and microfiche) in the U.S. Government Printing Office sales programs. The publications are detailed accounts of Bureau findings, including analysis, tables, and technical data. Attachment 1 lists the titles of publications for sale, number of subscribers, subscription rates or estimated sales prices and includes an anticipated volume of sales for bulletins based on performance of similar publications in previous years. Data Bases and Information Services - The Bureau offers for sale its data on magnetic tapes, through mailgrams, through an electronic news service and on diskettes. Magnetic tapes of historical data for many of our regularly updated series are sold for an amount equal to what it costs the Bureau to produce the tapes. Costs for these tapes range from $60 to $260 depending largely on the data requested. These funds were collected by the Bureau to offset the costs of generating the tapes. Mailgrams are used to

provide subscribers monthly data for selected Consumer Price Indexes within 24 hours after data are released to the media. There are currently 72 subscribers to this service at $125 per annual subscription. This service is managed by the National Technical Information Service (NTIS) who collects the revenue from sales for the Superintendent of Documents, U.S. Government Printing Office. BLS receives no revenue from these sales. Electronic News Service - Many of the Bureau's news releases are available electronically anywhere in the world as soon as they are issued. This service is managed for the Bureau by a private vender, Electronic Data Systems. All funds are collected by the vendor. The number of subscribers is about 20. Data on diskettes - The Bureau is in the process of making many of its data series available on floppy diskettes. We propose to sell these diskettes for $35 each or through annual subscriptions ranging from $104 to $288. Revenue from sales will be collected by the Bureau to offset the cost of producing the diskettes.

US Department of Labor
Bureau of Labor Statistics

Attachment 1

BLS PUBLICATIONS

Subscription items	Frequency of issue	Number of subscribers	Annual subscription rate
Employment and Earnings	Monthly	4,066	$ 31.00
Consumer Price Index	Monthly	4,647	25.00
Producer Price Index	Monthly	5,815	29.00
Current Wage Developments	Monthly	805	21.00
Monthly Labor Review	Monthly	10.161	24.00
Occupational Outlook Quarterly	Quarterly	16,020	11.00
U.S. Dept. of State Index of Living Costs Abroad	Quarterly	583	10.00
Area Wage Surveys	72 per year	309	102.00
Unemployment in States and Local Areas	17 per year	31	50.00

Other Publications	Estimated copies for sale	Estimated sales price
Employment and Wages	400	$19.00
Occupational Employment in Nonmanufacturing Industries	200	5.50
Occupational Employment in Manufacturing Industries	200	5.50
Geographic Profile	300	5.50
Directory of Labor Market Areas	600	7.00
Establishment Survey Data for States and Areas Supplement	922	9.00
Labor Market Economic Hardship	500	3.00
New Worklife Estimates	1,068	3.25
Displaced Workers	500	1.50
Permanent Mass Layoffs and Plant Closings	400	2.00
Relative Importance of the CPI	200	3.75
Consumer Expenditure Diary Bulletin	3,000	2.50
Consumer Expenditure Interview Bulletin (2)	600	6.00
Employee Compensation Bulletin	1,000	5.00
Employee Benefits in Large and Medium Firms	3,000	5.00
Area Wage Surveys (72 separate areas)	200 to 1,000	1.25 to 2.00
Industries Wage Surveys (7 separate industries)	200 to 900	2.00 to 6.00
Bargaining Calendar	200	2.00
Multifactor Productivity Growth in Mfg. Industries	200	$ 5.00
Change in Human and Capital Inputs in Multifactor Industries	300	5.00
Technological Diffusion and Multifactor Productivity Growth	200	4.50
Cyclical Changes in Capital Utilities	200	4.50
Impact of Technology on Labor in 4 Industries	400	3.75
Productivity Measures for Selected Industries	600	7.50
Productivity and the Economy	500	6.00
Technology and Labor in 4 Industries	200	5.00
Multifactor Productivity in Steel and Motor Vehicles Industries	300	5.00
Revised Employment Projection	600	11.00
Occupational Projection Training Data	3,300	6.00
Occupational Outlook Handbook	140,000	9.00
Occupational Outlook Handbook Reprints (21 separate reports)	300 to 30,000	1.00 to 1.50
Data Processing at the BLS	400	2.50
Occupational Injuries and Illnesses	800	5.00
State Data on Injuries and Illnesses	600	5.00
OSHA Laborers in Construction	300	1.25
OSHA Laborers in Warehousing	300	1.25
Work Injuries Reports, Heat Burns	300	1.25
Work Injuries Reports, Chemical Burns	300	1.50

Estimated copies for sale in FY 1986 and sales prices are based on FY 1985 sales information supplied to BLS by the Superintendent of Documents, U.S. Government Printing Office (GPO). BLS publications remain in the GPO sales program until they are superseded or until there is a lack of demand--usually several years. According to the GPO data, sales of Bureau publications exceeded $2.25 million in FY 1985. None of this revenue was returned to BLS.

Mr. Conte: What happens to the money you take in for these publications? When was the last time you raised prices for this information?

Dr. Norwood: BLS periodicals, bulletins and microfiche are sold through the Superintendent of Documents, U.S. Government Printing Office (GPO). The BLS receives no revenue from the sale of its publications in this program. It is our understanding that revenue from sales is returned to the General Fund by the GPO.

The GPO establishes subscription rates and sales prices for publications. Annual and ad hoc sales price increases are typical.

PLANT CLOSING SURVEY

Mr. Conte: Now, turning to your decreases, and most notably the Plant Closing survey, the Secretary indicated to me that the information that has already been generated by our appropriations for the survey could in some way be used to answer all the questions about Plant Closings that the survey was designed to answer.

Dr. Norwood: For the eight States in which the Permanent Mass Layoff and Plant Closing (PMLPC) Survey is already in operation, the program is collecting all of the associated statistics on plant closings and layoffs, and those affected workers who are collecting unemployment insurance. While these States may not be viewed as representative of the entire nation, the incidence of plant closings and mass layoffs and the characteristics and labor market experience of insured workers will provide information on the subject.

Mr. Conte: Isn't it true that to generate a useful picture of the number of plant closings, the trend over time, what happens to those who lose their jobs and so forth, first you have to get a nationwide data-gathering network in place, which we don't have yet, and then you have to continue collecting the data? I mean, it would be like stopping the unemployment rate data, and continuing to use the data from the last collection period as indicative of the level of unemployment in the United States, isn't that the analogy?

Dr. Norwood: Work for eight States has gone into developing data. In addition to the eight States which are collecting and reporting statistics on plant closings and mass layoffs, 32 States and the District of Columbia were funded in FY 1985 to set up the PMLPC program, and are engaged in its development at this time. In the past month, three more States received developmental funding for the PMLPC program, and negotiations continue with the remaining seven nonparticipants.

Mr. Conte: For the record, please provide a comprehensive explanation of what has thus far been done on the Plant Closing survey, and what you expect to be accomplished through FY 1986, and what an additional $5 million in FY 1987 would be used for.

Dr. Norwood: In FY 1984, contracts were left with eight States to develop and implement the Permanent Mass Layoff and Plant Closing (PMLPC) program. Using the FY 1985 appropriation, 32 additional States and the District of Columbia were funded to develop the PMLPC program. During FY 1985, the eight initial States completed the developmental activities. In FY 1986, the eight States are operating the program on an ongoing basis. Developmental activities are continuing in the 32 States and the District of Columbia. Funding was recently provided to three additional States to set up the program, and negotiations are continuing with the remaining seven nonparticipants.

When funding and positions were provided in FY 1985, work began on the establishment of the BLS PMLPC system, which will edit, screen, store, and tabulate the quarterly submittals from States. Activities in this area are continuing. The quarterly data submittals received to date are being subject to careful screening and analysis to ensure that PMLPC objectives and specifications have been met. This detailed review and validation will be applied to each State completing developmental activities.

By the end of FY 1986, it is expected that all States, except one or two with severe technical or financial problems, will be brought into the PMLPC program, at least in the developmental phase. Data will be collected, validated, and analyzed from the eight initial States, and a report to Congress prepared.

CONSUMER PRICE INDEX REVISION

Mr. Conte: We are now going onto the downside of the curve of additional resources for the current Consumer Price Index Revision. The first use of the revision will occur in January 1987, with publication in February, with additional refinements through 1988. What are some of the things we are likely to see changed in January 1987, and what additional changes will take place over those years?

Dr. Norwood: The most obvious change for January 1987 will be the introduction of new expenditure weights for the 1982-84 period, replacing the old ones which refer to consumer expenditures in 1972-73. These new weights will reflect such things as the declining relative importance of grocery store food in average consumption and the increasing importance of food away from home. They will also reflect the appearance of new or substantially altered goods and services such as in home electronics and telephone services.

Less obvious, but also important, changes will include adjustments for population shifts, with a reduction in the relative weight of the northern and eastern portions of the country and a complementary rise in importance of the South and West. Related to that change will be the introduction of 20 new local areas for pricing the Consumer Price Index (CPI).

During the next two years, 19 local areas that are currently priced for the CPI will be replaced on a one-for-one basis with other new local areas. A number of enhancements will be made in our procedures for the way we collect data and compute indexes for such things as womens apparel, used cars, and health insurance. A full quality assurance and process audit program will be installed to validate the CPI processes and evaluate sources for potential errors.

Mr. Conte: Do you have a prediction as to whether the revision will increase or slow down the CPI rate of increase compared to the current CPI?

Dr. Norwood: The revision of the CPI will update the items priced for the index, update the relative weights of those items, and update the population weights to reflect the 1980 census of population. The revision will also introduce more efficient sampling and estimation techniques and improved pricing methods. All of these things will make the CPI more relevant to current conditions. None of them, however, will necessarily cause the CPI to change at a different rate.

REPORTS

Mr. Conte: In the FY 1986 House report, you were asked for a report on the steps you have taken to insure the adequacy of the information and publication function of the Bureau by February 15. When will that report be done?

Dr. Norwood: The report on the steps which the Bureau has taken to insure the adequacy of our publication function was transmitted by Secretary Brock on February 14, 1986.

Mr. Conte: Will you remember to send a copy to the Minority?

Dr. Norwood: A copy of this report has been sent to the minority staff under separate cover.

Mr. Conte: Last year, you got some additional support from the Committee to keep the Monthly Labor Review a monthly publications rather than quarterly. What is this publications?

Dr. Norwood: The Monthly Labor Review (MLR) is a periodical which helps meet the objectives of the BLS mission to interpret and disseminate BLS data. It is principally designed to publish in one place the key data of BLS programs which otherwise would be available only in numerous separate publications and releases. It also publishes interpretation and informational articles to enhance understanding of BLS statistical programs. These articles are prepared not only by BLS staff, but also by outside economists, statisticians, academics, and other experts qualified to discuss, critique, or supplement the output of the Bureau's program offices.

Mr. Conte: Did you ever think about sending one over to the minority here, and letting us take a look at it?

Dr. Norwood: A copy of the MLR has been sent to the Committee under separate cover.

GRAMM RUDMAN HOLLINGS

Mr. Conte: Would you describe the effects that the 4.3% reduction in FY 1986 is having upon the operations of your Bureau?

Dr. Norwood: The Bureau of Labor Statistics was required to apply the 4.3 percent Gramm-Rudman-Hollings reduction against: Each of its major budget activities; the Trust Fund amounts transferred to BLS further delineated by Employment Service and Unemployment Insurance funds; the OSHS and SCA reimbursable agreements; and two specific programs by virtue of the fact that they were mentioned in 1986 report language, namely the service sector initiative and the plant closing and mass layoff report program.

The President's 1987 budget request avoids the across-the-board approaches of Gramm-Rudman-Hollings. It provides sufficient financing to provide, maintain or enhance the quality of the most important programs while taking cuts in programs which are less critical to the economy. Thus, BLS approached the 1986 cuts with the general strategy of postponing or temporarily halting work needed to maintain the quality of our most important programs with increases in the 1987 request to build them back to the quality required. For example, continuous resampling of establishments and products is required to maintain the relevance of BLS price, wage, and other data. These activities cannot be deferred for long, without serious decreases in data quality, and statistical accuracy. However, BLS had to reduce across the board and thus sample maintenance for critical data series will be suspended for the March through September period.

These cuts cannot be sustained for longer periods without serious damage to the core of the Nation's most important series. Thus, the 1987 budget proposes alternative permanent program reductions and seeks restoration of these funds.

The CPI Revision is a different situation because, unfortunately, 1986 is a peak data collection year. As a result of the 4.3 percent reduction which had to be applied to the CPI Revision Budget Activity, BLS initially scheduled a cutback in data collection areas from 91 to 77, a level of effort below that planned for this revision and below the outcome of the 1978 CPI Revision which saw the introduction of an 85 area sample design. The 1987 budget reflects a scheduled decrease in CPI Revision funding. Given the tremendous importance of the CPI, BLS is examining every option to determine some means of restoring the area sample to its planned level on a delayed schedule. We now believe this will be possible to do.

Finally, reduction of published results from the BLS employment survey; elmination of local area and occuptional employment statistics detail, delays in scheduled wage and productivity work are further examples of the results of the 4.3 percent cut. In general, each BLS budget activity has been reduced to levels insufficient for ongoing operations at a reasonable level of quality, that is why it is so important for the Congress to approve the increases in The President's budget for 1987.

Mr. Conte: In your justification, you mention some cutbacks this is causing in the Consumer Price Index Revision. Would you explain what effects the 4.3 % cut is having on the CPI Revision and how this will affect the validity of the revised index.

Dr. Norwood: Currently, data for the CPI are collected in 85 different local areas. The CPI revision plans call for increasing that number to 91. As you know, when BLS was confronted with the necessity of taking the 4.3 percent reduction, we were forced to take a proportionate cut in the CPI revision because it is a separate budget activity. Our first assessment, which had to be made in a matter of a few days, was that the only way such a steep cut could be taken on short notice was to reduce the local area sample for the CPI revision from the planned 91 to 77. Because of a number of sampling efficiencies and enhancements made during the revision, this 77-area sample would have provided for a CPI that was as accurate as the current 85-area design. As it turns out, given another month to review the detailed CPI revision plans, we have developed a strategy that will not require reducing the sample for the revised index, so long as 1986 Gramm-Rudman reductions are not continued into FY87. This strategy requires instead that we delay a wide variety of enhancements scheduled for the CPI revision and elimination of some research activities.

While the delays will mean that the January 1987 CPI will be of lower quality than it might have been, nevertheless, the January 1987 CPI will be at least as good as the current index. Because the reductions we are now taking only delay certain features of the revision, we will ultimately be able to recapture the originally planned quality of the CPI, albeit on a slower schedule. The kinds of enhancements being delayed or slowed down come in such activities as quality assurance, improved pricing methodologies, and certain improved item samples.

Mr. Conte: Would you please explain what you would do under the following Gramm-Rudman-Hollings Scenarios in FY 1987:

--A 10% cut
--A 20% cut
--A 30% cut.

Dr. Norwood: Even the smallest of these cuts would have a serious impact on the BLS in part due to the corresponding effect of previous cuts. The past seven years have seen the proposed elimination of roughly $56 million in programs, dropping or reducing 19 programs in 1982 alone, and rearranging its remaining resources to support a set of core programs which are of critical importance to the analysis of the economy and in many cases are required by law. This rearranging and reduction of BLS program funds places BLS at a critical juncture. The across-the-board reduction in 1986 will permanently impair the quality of BLS programs if not restored in 1987 as proposed by the President's budget. Raising the cut level to 10% would reduce the quality of the major economic indicators and require the elimination of several entire programs. At the opposite end of the specified cut levels, a 30% reduction would require in addition the elimination of entire Budget Activities. Even the basic price and employment series would be reduced to levels of coverage and accuracy that correspond to the state of the statistical system of 25 years ago. None of this deals with the management problems which would have to be confronted to implement cuts of this magnitude including the substantial reduction-in-force and other costs which would be borne.

PLANT CLOSING SURVEY

Mr. Conte: How much would it cost to continue the plant closing survey in FY 1987, and assuming we have to obtain the amount from within your total requested budget, would you have any preferences as to what gets left out of your budget request in order to accomodate this PMLPC Survey?

Dr. Norwood: Given the delayed initiation of the PMLPC program, BLS funding for State activities has diverged from the levels originally planned. Eight of the States have entered an ongoing data collection stage; 32 States and the District of Columbia are funded for developmental activities; and technical data collection and processing issues have, as anticipated, arisen in the 10 remaining States.

While these problems can quickly be resolved in eight of these last 10 States, the issues in 2 of the States are such that an agreement on work to be performed is unlikely this year. If this work were delayed, and considering the varying stages of program development in the remaining States, the program could probably be continued in FY 1987 at $4 million. The cost in later years would go back to the $5 or $6 million previously estimated for FY 1988 and beyond. This is consistent with the original BLS report to Congress which noted the existence of certain "problem" States and estimated that roughly $1 million might be required beyond the $5 million funding level to operate the program in all States plus the District of Columbia.

I believe the plant closing data, while important, are less important than the other items in the BLS budget in FY 1987. The reductions in recent years has brought us to a funding level which supports only the core programs. Our FY 1987 submission already proposes some program reductions. I believe that further reductions in other parts of the BLS budget to finance plant closing data would only solve this problem by creating a more pressing problem in data series used in making essential economic decisions.

Mr. Conte: How much PMLPC Survey money did you lapse in FY 1985? At least part of the cause is the fact that you did nothing while the rescission proposal was pending, isn't that correct? Why doesn't this constitute an illegal impoundment?

Dr. Norwood: The Bureau was not able to spend $486,000 from an appropriated amount of $5 million for the PMLPC survey in FY 1985. This program was proposed for rescission in FY 1985 and the Bureau did not receive authority to obligate funds until April 25, 1985. During the period in question, the Bureau believes that it performed in a manner consistent with the legal and administrative requirements of the Department of Labor, OMB, and the Congress. Moreover, the Bureau responded promptly when the rescission was not enacted within the statuatory time limit and was successful in executing agreements with States for $4.2 million before the end of the fiscal year. However, due to the timing of events we were not able to spend money budgeted for BLS staff and related expenses.

PROFESSIONAL, ADMINISTRATIVE, TECHNICAL AND CLERICAL SURVEY

Mr. Obey: On page BLS-30 of the Budget justification from the Department of Labor, there is a section on the "Continued Expansion of the PATC Survey". It appears that the annual cost of doing the survey is $3,409,000 and that the additional cost for the expansion will cost a little over 2 million. The first phase of the expansion cost $1.8 million. Who funded the first phase of the expansion?

Dr. Norwood: The first year (FY 1986) of the PATC expansion is being funded on a contractual basis by 11 major Federal agencies. This represents an effort to move forward on Federal pay reform which has been of widespread concern. Agency shares were based primarily on employment size.

Mr. Obey: Is the second phase coming out of BLS funds this year? Is this funding source different from the FY 1986 funding?

Dr. Norwood: More effective management and conduct of the survey on any ongoing basis requires BLS to include second year (FY 1987) PATC survey expansion costs as a program increase in its FY 1987 budget, rather than sharing the costs among agencies.

Mr. Obey: What will be the impact of this new expansion on the survey?

Dr. Norwood: The full impact of expanding the PATC survey cannot be measured until 1988, when the PATC survey expansion is fully implemented. What impact this expansion will have largely depends upon the numbers of workers classified in the survey jobs and whether, and how much their pay levels differ from the current survey averages.

Mr. Obey: Over the past 6 years, what have been the results of the PATC survey and what evidence do you have that it has been used to influence Federal spending policy?

Dr. Norwood: Through 1985, the PATC survey data continued to reflect what medium and large establishments in a broad cross-section of the private sector paid for some 100 job classifications. These classifications were, in terms of duties and responsibilities, equivalent to specific grades in the Federal government's white-collar work force. With few exceptions, survey averages for these occupations are above the corresponding averages for grades 1 through 15 of the Federal government's General Schedule.

PATC survey salary averages, however, are but one of several components used by OPM in their statistical model of Federal pay comparability with the private sector. Over the past six years, the OPM model found that the pay gap in favor of private industry widened from 13.46 percent in 1980 to 19.15 percent in 1985.

The PATC survey data continues to influence pay policy decisions by helping to isolate what portion of the pay gap relates to the current year and what portion has been postponed from prior years. The 1985 gap, for example, consists of about 4.37 percentage points for 1985 and 14.78 percentage points from the short fall between prior years' recommendations derived from the comparison procedures and the smaller Federal pay raises recommended by the President and actually implemented.

Although full comparability pay adjustments for Federal civilian workers based on PATC results have not been given since 1977, the Military adjusted its pay in October 1981 by using the PATC survey increase.

On a continuing basis, PATC survey data are used, along with other information, in setting special pay rates for hard-to-fill occupations, such as engineers, computer specialists, and legal personnel in the Federal Civil Service and in the Military.

GRAMM RUDMAN HOLLINGS

Mr. Obey: On page 38 of the budget justification, there is a note that the Gramm-Rudman reductions require BLS to defer a major study on the impact of changes in defense expenditures on employment and occupations. How much was that projected study to cost?

Dr. Norwood: The cost of the study was estimated to be $40,000.

Mr. Obey: If that study were done as originally scheduled, when could we have had the results?

Dr. Norwood: The study was scheduled to be completed in September 1986.

SIC REFILING

Mr. Obey: On page 19 of the Labor budget justification, there is a note that the SIC recoding is being eliminated. The budget detail indicates that this will "save" $1.4 million. What is the significance of the Standard Industrial Classification system?

Dr. Norwood: The Standard Industrial Classification (SIC) system is a system for classifying business and government establishments, according to the principal product or the service that they provide. This system is mandated for use in government statistical programs. This insures that the data from the various agencies can be compared and analyzed, and will have a consistent definition across Federal agencies and programs.

Mr. Obey: What is the relationship of the OMB to this system? It appears from the detail that OMB requires the updates. If so, when has the last update been required?

Dr. Norwood: The forerunner to the Standard Industrial Classification (SIC) system began in the early 1930's. The usefulness of having a standardized classification system for industry was soon recognized and the first government-wide standard was published in 1939. Since that time OMB has become the controlling agency for the system and revisions occurred in 1941, 1945, 1957, 1958, 1963, 1967, 1972, and 1977. The last major revision occurred in 1972. The OMB recognizes the SIC as the only valid industrial classification system for use in the United States and mandates its use for all government statistical agencies.

Mr. Obey: How up-to-date is your current classification of American industries? When is the last time these data bases have been updated? What governmental economic indicators are dependent upon data that is classified by this system?

Dr. Norwood: The current classification of American industries is based upon the 1972 Standard Industrial Classification (SIC) Manual. Most BLS data bases were converted to the 1972 SIC Manual during 1975-1980. All major governmental economic indicators that depend upon data classified by industry (i.e., price, employment, wage, income) use the 1972 SIC system.

Mr. Obey: How is the statement on page 18 relating to the SIC assignments significant for the Unemployment Insurance system?

Dr. Norwood: The statement on page 18 about Gramm-Rudman-Hollings effects on accuracy of SIC assignments of establishment is about BLS use of the SIC industry code assignments to construct its sampling frame for most BLS establishment surveys, and not about effects on the UI system.

CONSUMER PRICE INDEX REVISION

Mr. Obey: The CPI has taken a major reduction during this revision period. What is the current level of areas that are surveyed to gather data and how will the 77 number affect the reliability of the data that is reported by the BLS?

Dr. Norwood: Currently, data for the CPI are collected in 85 different local areas. The CPI revision plans called for increasing that number to 91.

As you know, when BLS was confronted with the necessity of taking Gramm-Rudman cuts, we were forced to take a proportionate cut in the CPI revision because it is separate budget activity. Our first assessment, which had to be made in a matter of a few days, was that the only way such a cut could be taken on short notice was to reduce the local area sample for the CPI revision from the planned 91 to 77. Because of a number of sampling efficiencies and enhancements made during the revision, this 77-area sample would have provided for a CPI that was as accurate as the current 85-area design. As it turns out, given another month to review the detailed CPI revision plans, we have developed a strategy that will not require reducing the sample for the revised index, so long as FY 1986 Gramm-Rudman reductions are not continued unto FY 1987. This strategy requires instead that we delay a wide variety of activities scheduled for the CPI revision and elimination of some research activities.

While the delays will mean that the January 1987 CPI will be of lower quality than it might have been, nevertheless, the January 1987 CPI will be at least as good as the current index. Because the reductions we are now taking only delay certain features of the revision, we will ultimately be able to recapture the originally planned quality of the CPI, albeit on a slower schedule. The kinds of enhancements being delayed or slowed down come in such activities as quality assurance, improved pricing methodologies, and certain improved item samples.

Mr. Obey: What is the relationship of the Consumer Expenditure Survey to the Consumer Price Index? How valid is the data from the Consumer Expenditure Survey? How big is the sample in the CES? Can accurate data be gathered from the CES about the marginal changes in consumption over time by income class?

Dr. Norwood: The Consumer Expenditure Survey is the basis for the expenditure weights used in the CPI to determine the relative importances of the various items in the index. The CES is a sophisticated, scientifically designed survey that provides accurate, valid results. Of course, as is the case with any set of statistics, the results must be carefully evaluated in the light of sampling errors and design characteristics.

The CES sample consists of about 4,800 consummer units each year in the diary protion of the survey and another 4,800 in the interview portion. With these sample sizes, it takes three years of data to provide sufficient information to use in the CPI expenditure weights.

Over time, it would certainly be possible to distinguish changes in consumption patterns by income class, but the amount of time it would take to verify that identifiable shifts had occurred would depend on the narrowness with with which the income classes and consumption categories were defined and the magnitude of the consumption shifts.

Mr. Obey: Are there internal methods to deal with the Gramm-Rudman cutbacks in the CPI revision that would require Congressional attention to reprogramming?

Dr. Norwood: I have identified above the nature of the changes that are being occasioned by the Gramm-Rudman reductions. By delaying certain projects, we will be able to meet most of the revision objectives, however, will reuqire some minor adjustments to our object class availability within the revision for FY 1986. These changes are part of the FY 1987 budget submission.

CENSUS WORK

Mr. Obey: The Bureau of the Census also collects data on American industries. Does BLS have access to the Census data? If not, why?

Dr. Norwood: The BLS conducts its monthly survey of establishments so as to provide data on employment, hours, and earnings on a timely basis for Congress, the Administration, and others in evaluating the health of the economy. Census Bureau data are not available on such a frequent basis.

The Bureau of Labor Statistics has, of course, access to published data issued by the Bureau of the Census. Unpublished establishment specific information is maintained by the Bureau of the Census in its Standard Statistical Establishment List (SSEL). Census considers most of this information confidential under Title 13 USC and, therefore, denies BLS access to it.

Mr. Obey: The BLS contracts much work from the Bureau of the Census. Does the BLS have absolute control over costs for that contracted work? Why is so much of the BLS budget contracting for Census services.

Dr. Norwood: Each year prior to entering into these contractual agreements, BLS staff negotiates with the Census Bureau staff on work statements, delivery dates and resource requirements. However, we do not have absolute control over these contracted costs, since the Bureau of the Census is a component

of the Department of Commerce and in the final analysis responds to the budget priorities, concerns, and reviews promulgated and/or most pertinent to that institution.

The large share of the BLS budget provided to the Bureau of the Census reflects the costs of the three large, very important household surveys which Census collects for BLS: The Current Population Survey from which the labor force data are obtained, and the Consumer Expenditures and Point of Purchase Surveys which provide critical inputs to the Consumer Price Index.

SPACE RENT

Mr. Obey: Why is rent considered a part of BLS program budget in every activity category?

Dr. Norwood: The BLS budget is structured to account for the total cost of each activity. The costs of such items as space rent, telephone service and office supplies are generally pro-rated across budget activities on the basis of employment as a measure of each budget activity's share of these costs of doing business.

PROGRAM DECREASES

Mr. Early: Which programs will be phased-out beginning in FY 1986 or FY 1987 aside from the Permanent Mass Layoffs and Plant Closing program?

Dr. Norwood: While the 1987 budget proposes reductions in the economic growth and occupational employment statistics programs, only the Permanent Mass Layoff and the SIC refiling improvement funds are being phased out. The latter was planned to occur in 1987, and these plans have not changed even though this project will be substantially reduced in 1986 as part of the Gramm-Rudman-Hollings reductions.

PERMANENT MASS LAYOFFS AND PLANT CLOSINGS

Mr. Early: What steps will be taken during FY 1986 to phase-out the Permanent Mass Layoff and Plant Closing Program?

Dr. Norwood: The program is operating with full funding through the fiscal year. Instructions will be developed to assist States in close-out procedures at the end of the fiscal year.

Mr. Early: What will be done with the data collected by the States which were in the process of collecting information under the Mass Layoff and Plant Closing program?

Dr. Norwood: In FY 1986, BLS will have at least one-year of data, from July 1985 to June 1986, from the initial set of 8 States funded by the PMLPC program. After validation, this data will be tabulated and analyzed and a report to Congress will be prepared. Some funds from FY 1986 agreements will pay for work to be performed in FY 1987.

Mr. Early: How many States received funding under the Mass Layoffs and Plant Closing program? Please provide a list of the States and the amount each received.

Dr. Norwood: The Bureau of Labor Statistics has provided funding to 40 States, and the District of Columbia, to participate in the Mass Layoffs Program. The following list details the States and the amounts for fiscal years 1984 and 1985, as well as totals by State.

Due to prior year budget decisions, BLS is not able to manage 1986 funding for the States in a manner coincident with the start of the fiscal year. Negotiations with the States in FY 1986 funding are well underway and it is expected that all funds appropriated for State activities will be obligated.

State	FY 1984	FY 1985	Total 1984-1985
Alabama	80,266	9,194	89,460
Arizona	83,866		83,866
Arkansas	79,982	10,000	89,982
Colorado		87,939	87,939
Connecticut		107,986	107,986
Delaware		140,941	140,941
District of Columbia		109,000	109,000
Hawaii		53,926	53,926
Illinois		349,847	349,847
Indiana		273,720	273,720
Iowa		68,000	68,000
Kansas		62,993	62,993
Louisiana		97,874	97,874
Maine		90,371	90,371
Maryland		140,000	140,000
Massachusetts	58,728		58,728
Michigan	250,000		250,000
Minnesota		107,393	107,393
Mississippi		94,894	94,894
Missouri		111,707	111,707
Montana		55,000	55,000
Nebraska		74,373	74,373
Nevada		138,349	138,349
New Hampshire		157,000	157,000
New Jersey		387,485	387,485
New Mexico		99,473	99,473
New York		315,000	315,000
North Carolina		81,436	81,436
North Dakota		43,040	43,040
Oklahoma		75,000	75,000
Pennsylvania		203,931	203,931
Rhode Island		126,868	126,868
Tennessee		117,762	117,762
Texas	89,618		89,618
Utah		85,900	85,900
Vermont		32,609	32,609
Virginia		165,619	165,619
Washington	63,479	25,667	89,146
West Virginia		57,710	57,710
Wisconsin	190,471		190,471
Wyoming		46,460	46,460
National Total	896,410	4,204,467	5,100,877

SERVICE SECTOR

Mr. Early: How will Gramm-Rudman reductions effect the service sector data collection activities? Be specific, how many positions will be eliminated and which activities will be curtailed?

59-364 O - 86 - 8

Dr. Norwood: Congress required that Gramm-Rudman-Hollings reductions apply to each specifically identified program, which included the service sector initiative. The 4.3 percent cut in this new initiative--$99,000 overall--is being assigned proportionately to the dollar resources in the price, wage, productivity and economic growth budget activities, but no positions are being eliminated.

To meet GRH requirement the Bureau is deferring this year (1) the production of two planned Employment Cost Index measures: banking and insurance; (2) one major analytical study and (3) developmental work in the price area which will delay publication of new series from FY 1986 to FY 1987.

Mr. Early: How many of the 20 additional positions provided in the FY 1986 Bill for the expansion of service sector programs are presently filled?

Dr. Norwood: Due to recruitment difficulties the Bureau has filled six positions since October 1, 1985.

Mr. Early: The justification shows that one service sector study will not be published in FY 1986 due to the revised levels, which one is this?

Dr. Norwood: The study being deferred relates to the impact of the increase in defense expenditures on industrial and occupational employment.

Mr. Early: Would you please summarize the resources, funding levels and personnel, requested for service sector data collection in FY 1987?

Dr. Norwood: The budget request includes the following resources for the service sector expansion project for FY 1987:

Bureau Total	$2,441,000	40 positions
Price & Cost of Living	$1,082,000	16 positions
Wages & Industrial Relations	997,000	19 positions
Productivity & Technology	231,000	3 positions
Economic Growth & Employment Projections	131,000	2 positions

Mr. Early: In a speech given last Spring by Commerce, Secretary Baldridge at the conference on Employment and Technology, which was held in Italy, he said "we simply do not have a good governmental classification of what services are."

Do you agree with the Secretary's remarks, and if so, what is being done to improve this?

Dr. Norwood: Secretary Baldridge's remarks are certainly correct. Industrial classification policy in this country has traditionally focused on manufacturing industries rather than on nonmanufacturing industries such as services. Thus, although the service industries represent an ever increasing share of the U.S. economy, the amount of economic information available on the service industries has not kept pace. BLS in the last three years has been increasing its output of information on services. In addition, OMB has scheduled a 1987 revision of the SIC Manual which will have more industry detail for service industries.

Mr. Early: How closely do the Bureau of Economic Analysis (at Commerce) and the BLS work together? How much of the information collected is duplicative in nature? Is there a permanent free flow of information between the two Bureaus?

Dr. Norwood: BEA is responsible for the production of the economic accounts of the United States, which include the national income and product accounts, wealth accounts, interindustry accounts, regional accounts, and the balance of payments accounts. BEA develops most of these accounts from data supplied by other sources, like BLS, the Bureau of the Census, the Department of Agriculture, and the Internal Revenue Service. The only data BEA collects directly relate to plant and equipment investment and direct investment by foreign countries in the U.S. and by U.S. citizens in foreign countries.

BEA and BLS have a complementary relationship in the use of each other's output and a cooperative relationship on issues of policy concern. At the working staff level, relationships are close and frequent: Data are regularly exchanged; explanations, interpretations, elaborations, and expansions are freely supplied, as needed. At the senior executive level, major issues of concern to both agencies are frequently discussed and may be jointly addressed, if appropriate.

None of the data collected by BEA duplicates the other agencies' activities. Overlapping data collection would not be tolerated either by OMB in its review of Executive Branch survey activities or by the agencies themselves in their concern for the negative effect of unnecessary respondent burden.

A few series that BLS supplies to BEA, like employment, hours, and earnings, are published in both the BEA's Survey of Current Business and the BLS Monthly Labor Review, but sources are always noted. These periodicals, however, serve different users, for the most part, so little overlap of readership is believed to occur.

BLS regularly supplies data to BEA for its use in (a) the development of the quarterly estimates of the gross national product, (b) the deflation of components of the national accounts, and (c) the composite index of leading economic indicators.

BEA regularly supplies data to BLS for use in its (a) productivity series and (b) projections of economic growth program.

Mr. Early: In your efforts to expand the statistical coverage of the service sector which new industries will be included in your data?

Dr. Norwood: The service sector initiative is being undertaken in four different programs in the Bureau: Prices, wages, productivity and economic growth.

Some work was completed last year with the publication of (a) eight new indexes in the Employment Cost Index (ECI) series in the following industries: Transportation, communication, electric, gas, and sanitary services; wholesale and retail trade; finance, insurance, and real estate; and services; and (b) labor productivity measures for beauty and barber shops.

This year, FY 1986 publication plans include (a) a producer price index for pipelines; (b) new ECI measures for health services in the civilian economy and in State and local governments, and subindexes for wholesale trade and retail trade; (c) labor productivity measures for retail trade (department stores) and furniture and home furnishing including appliance stores, and radio, TV and music stores; and (d) economic growth studies for the temporary help industry and business services.

Next year, FY 1987, output will expand to include (a) producer price measures for telephone communications (intrastate private telephone lines); local transit; air transportation (passenger and freight); retail trade; (b) international price indexes for electricity; export scheduled airline services fares: Atlantic, Pacific, South American/Carribean, Canada; import tanker ocean freight service; import airline passenger fares; (c) ECI measures for additional subindexes in the transportation, communication, electric, gas and sanitary services; finance, insurance, and real estate; and services industries; and (d) economic growth studies for producer services and the aggregated service-producing industries.

BUREAU OF LABOR STATISTICS
SALARIES AND EXPENSES

	Page No.
Appropriation language and explanation of language change..	1
Amounts available for obligation.....	2
Summary of changes.....	3
Budget Authority by activity.....	7
Budget Authority by object.....	8
Significant items in FY 1986 House and Senate Appropriations Committees Reports.....	9
Authorizing legislation.....	10
Appropriation history.....	11
Justification:	
Appropriation.....	12
General statement.....	12
Activities:	
Labor force statistics.....	15
Prices and cost of living.....	22
Wages and industrial relations.....	28
Productivity and technology.....	33
Economic growth and employment projections.....	37
Executive direction and staff services.....	40
Consumer Price Index revision.....	44
New positions requested.....	47
Advisory and Assistance Services.....	48
Detail of permanent positions.....	49

BUREAU OF LABOR STATISTICS
SALARIES AND EXPENSES

For necessary expenses for the Bureau of Labor Statistics, including advances or reimbursements to State, Federal, and local agencies and their employees for services rendered, [$158,640,000] *$159,390,000* of which [$13,258,000] *$11,055,000* shall be for expenses of revising the Consumer Price Index, together with not to exceed [$36,309,000] *$36,506,000*, which may be expended from the Employment Security Administration account in the Unemployment Trust Fund; *Provided*, That [$5,848,000] *$5,144,000* shall remain available until September 30, [1987], *1988*.

(29 U.S.C. 1-96, 181: Department of Labor Appropriations Act, 1986.)

AMOUNTS AVAILABLE FOR OBLIGATION

	1985		1986		1987	
	FTE	Amount	FTE	Amount	FTE	Amount
Appropriation	2,127	$152,860	2,199	$158,640	2,116	$159,390
Sequestered under P.L. 99-177 (General Funds)	---	---	-60	-6,821	---	---
Revised Appropriation	2,127	152,860		151,819	2,116	159,390
A. Subtotal, appropriation	2,127	$152,860	2,139	$151,819	2,116	$159,390
Comparative transfer from: Employment and Training Administration, State Unemployment Insurance and Employment Insurance Operations	---	13,661	---	---	---	---
Offsetting collections from:						
Unemployment Trust Fund	---	20,420	---	36,309	---	36,506
Sequestered under P.L. 99-177				-1,561		
Unobligated balance lapsing due to Section 515 withholdings 1/	---	---	---	-2	---	---
B. Total Available Budget Authority	2,127	$186,941	2,139	$186,565	2,116	$195,896
Other unobligated balances, start or end of year	---	755	---	642	---	---
C. Total, estimated obligations	2,127	$187,696	2,139	$187,207	2,116	$195,896

1/ Withheld from obligation pursuant to Section 515 of the Treasury, Postal Service, and General Government Appropriations Act as referenced in the full year Continuing Resolution for 1986, P.L. 99-190.

BLS-3

SUMMARY OF CHANGES

Budget Authority:	1986	1987	Net Change
General Funds	$151,817	$159,390	+7,573
Trust Funds	34,748	36,506	+1,758
Total	186,565	195,896	+9,331
Full-time Equivalent:			
General Funds	2,139	2,116	-23
Trust Funds	---	---	---
Total	2,139	2,116	-23

	Trust Funds		General Funds		Total	
Explanation of Change:	FTE	Amounts	FTE	Amounts	FTE	Amounts
Increases:						
A. Built-in:						
To provide for increased cost in State operations for the Federal-State Cooperative programs	---	+$2,930	---	+$ 541	---	+$3,471
Net cost of within-grade promotions and merit pay increases effective in 1987	---	---	---	+1,501	---	+1,501
To provide for increased costs of GSA Space Rent	---	---	---	+565	---	+565
To provide for increased costs of Census Bureau Services	---	---	---	+210	---	+210
To provide for increased costs of contractual services	---	---	---	+869	---	+869
To provide for increased costs related to Administrative and support services provided by the Department of Labor	---	---	---	+602	---	+602
To provide funding for benefits paid to former employees	---	---	---	+88	---	+88
To provide for increased costs of printing	---	---	---	+78	---	+78
To provide for increased costs in travel	---	---	---	+140	---	+140
To provide for legislated cost increases of permanent change of station moves	---	---	---	+340	---	+340
To provide for increased cost of equipment	---	---	---	+90	---	+90
Subtotal	---	+2,930	---	+5,024	---	+7,954

	Trust Funds		General Funds		Total	
	FTE	Amounts $	FTE	Amounts $	FTE	Amounts $
B. Program:						
To provide for the increased cost of GSA Space Rent.....	---	---	---	+1,412	---	+1,412
To provide for costs necessary for completion of the CPS processing system and an estimation and publication of employment measures for selected metropolitan statistical areas.....	---	+1,561	+2	+2,168	+2	+3,729
To provide for costs necessary for work on four areas in the Point of Purchase survey; resampling and updating of some PPI and IPP indexes, and processing of CES test data.....	---	---	+26	+2,183	+26	+2,183
To provide for costs for work in the Industry and Area Wage Surveys, Employment Cost Index, and Employer Benefits Survey.....	---	---	+11	+769	+11	+769
To provide for costs necessary for multifactor productivity measures and industry studies.....	---	---	+3	+212	+3	+212
To provide for costs necessary for service sector study in Economic Growth and Employment Projections Activity.....	---	---	---	+138	---	+138
To provide for costs necessary for BLS administrative support services.....	---	---	+4	+566	+4	+566

	Trust Funds		General Funds		Total	
	FTE	Amounts $	FTE	Amounts $	FTE	Amounts $
To restore the amount withdrawn from obligation for advisory and assistance services pursuant to P.L. 99-190.....	---	---	---	+2	---	+2
To provide for the development of a longitudinal file of business establishments.....	---	---	---	+1,347	---	+1,347
(1986 Base: FTE ---, Budget Authority ---).						
To provide for increased security for the Consumer Price Index.....	---	---	---	+500	---	+500
(1986 Base: FTE ---, Budget Authority ---).						
To provide for an expansion of the Professional, Administrative, Technical and Clerical Pay Survey.....	---	---	+46	+2,062	+46	+2,062
(1986 Base: FTE 63, Budget Authority $3,409,000)						
Subtotal.....	---	+1,561	+92	+11,929	+92	+12,920
Total increase.....	---	+4,491	+92	+16,953	+92	+20,874
Decreases:						
A. Built-in:						
To provide for a planned decrease in the Consumer Price Index Revision program.....	---	---	-50	-1,576	-50	-1,576
(1986 Base: FTE 266, Budget Authority $12,616,000).						
To provide for a planned decrease in SIC refiling activities in the ES-202 program.....	---	-1,367	---		---	-1,367
(1986 Base: FTE 92, Budget Authority $18,705,000).						
Subtotal.....	---	-1,367	-50	-1,576	-50	-2,943

	Trust Funds		General Funds		Total	
	FTE	Amounts $	FTE	Amounts $	FTE	Amounts $
B. Program:						
To eliminate the Permanent Mass Layoff and Plant Closings program.....	---	---	-17	-4,785	-17	-4,785
(1986 Base: FTE 17 Budget Authority $5,000,000).						
To provide for increased productivity associated with the President's productivity improvement plan.....	---	---	-41	-1,299	-41	-1,299
(1986 Base: FTE 2,199 Budget Authority $190,810,000).						
To eliminate the macroeconomic growth model and related activities.....	---	---	-5	-250	-5	-250
(1985 Base: FTE 52 Budget Authority $3,205,000).						
To reduce the Occupational Employment Statistics Program.....	---	---	-2	-900	-2	-900
(1986 Base: FTE 31 Budget Authority $7,335,000).						
To reduce area detail on employment now provided in Labor Market Information programs.....	---	-1,366	---	---	---	-1,366
(1986 Base: FTE --- Budget Authority $23,756,000).						
Subtotal	---	-1,366	-65	-7,234	-65	-8,600
Total Decrease.....	---	-2,733	-129	-9,380	-115	-11,543
Total Change.....	---	$ 1,758	- 23	$ 7,573	- 23	$ 9,331

BUDGET AUTHORITY BY ACTIVITY

	1985 1/ Comparable		1986 Appropriation		1986 Estimate 2/		1987 Estimate		Change	
	FTE	Amount $	FTE	Amount $	FTE	Amount $	FTE	Amount $	FTE	Amount $
Budget Authority applied to General Funds:										
1. Labor Force Statistics	336	55,605	353	55,428	351	53,034	327	52,303	-24	-731
2. Prices and Cost of Living	907	49,115	907	50,762	881	48,467	896	52,997	+15	+4,530
3. Wages and Industrial Relations	326	16,846	326	17,896	315	17,091	365	20,499	+50	+3,408
4. Productivity and Technology	90	4,621	90	4,920	87	4,699	88	5,038	+1	+339
5. Economic Growth and Employment Projections	52	3,083	52	3,205	52	3,059	46	3,035	-6	-24
6. Executive Direction and Staff Services	244	13,894	205	13,171	201	12,851	205	14,463	+4	+1,612
7. Consumer Price Index Revision	155	9,696	266	13,258	252	12,616	189	11,055	-63	-1,561
Subtotal	2,110	152,860	2,199	158,640	2,139	151,817	2,116	159,390	-23	+7,573
Budget Authority Applied to Trust Funds:										
1. Labor Force Statistics	---	34,081	---	36,309	---	34,748	---	36,506	---	+1,758
Total Budget Authority	2,110	$186,941	2,199	$194,949	2,139	$186,565	2,116	$195,896	-23	+9,331

1/ Included in 1985 Column Above:
Comparative Transfer from the Employment and Training Administration, State Unemployment Insurance and Employment Insurance Operations.....+$13,661

2/ Included in 1986 Estimate:

Sequestered under P.L. 99-177.....-$8,382 and -60 FTE.
Withdrawal pursuant to P.L. 99-190.....-$ 2 and --- FTE.

BLS-8

BUDGET AUTHORITY BY OBJECT

	1985 Actual	1986 Estimate	1987 Estimate
Total number of full-time permanent positions	1,994	1,966	1,947
Full-time equivalent:			
Full-time in permanent positions	1,906	1,835	1,878
Other than full-time	221	304	238
Total	2,127	2,139	2,116
Average ES salary	$66,432	$66,432	$66,432
Average GM/GS grade	10.5	10.6	10.9
Average GM/GS salary	$27,990	$28,180	$30,210
Average salary of ungraded positions	$17,941	$16,706	$17,450
Personnel Compensation:			
Permanent positions	$56,269	$57,437	$60,434
Positions other than permanent	3,965	5,229	4,155
Other personnel compensation	524	561	559
Subtotal, personnel compensation	60,758	63,227	65,148
Personnel Benefits	7,667	8,501	9,370
Benefits for former personnel	55	55	211
Travel and transportation of persons	3,463	3,551	3,670
Transportation of things	75	97	233
Space Rental	6,594	6,799	8,847
Communications, utilities, and other rent	2,702	2,437	2,639
Printing and reproduction	1,108	845	961
Other services 1/	67,862	64,664	66,202
Supplies and materials	648	708	737
Equipment	1,928	1,882	2,321
Cooperative Agreements	34,081	33,799	35,557
Total, budget authority by object	$186,941	$186,565	$195,896
Working Capital Fund obligations included above:	(7,448)	(7,328)	(8,058)
Advisory and Assistance Services included above:	(18)	(16)	(18)
1/ Includes the following amounts for services of other agencies:			
Bureau of Census	(28,651)	(27,527)	(28,401)

SIGNIFICANT ITEMS IN 1986
HOUSE AND SENATE APPROPRIATIONS COMMITTEES REPORTS

Item	Action Taken or to be Taken
198 House Report (No. 99-289)	
Information and Publications	
"The Committee directs the Commissioner of Labor Statistics to report to it by February 15, 1986 the steps that have been taken to insure the adequacy of the information and publication function of the Bureau."	In accordance with the Committee's direction a report will be submitted by February 15, 1986.

BLS-10

AUTHORIZING LEGISLATION

Legislation	Budget Request 1986	1987
Authorizing legislation containing indefinite authority		
An Act to Establish the Bureau of Labor, 1884, (amended by Act of 1913 to establish the Department of Labor (29 U.S.C. 1).....	$151,817,000	$159,390,000
The Wagner-Peyser Act of 1933, as amended (29 U.S.C. 49).....	$34,748,000	$36,506,000

APPROPRIATION HISTORY

	Budget Estimates to Congress	House Allowance	Senate Allowance	Appropriation
1977.....	$ 75,937,000	$ 74,795,000	$ 76,050,000	$ 75,617,000
1978.....	$ 87,760,000	$ 80,857,000	$ 84,032,000	$ 84,015,000
1979.....	$ 95,665,000	$ 94,752,000	$ 94,752,000	$ 94,752,000
1980.....	$102,028,000	$102,028,000	$102,028,000	$102,890,000
1981.....	$111,880,000	$111,241,000		$111,081,000
1982.....	$117,398,000	$132,163,000	$117,398,000	$113,067,000
1983.....	$127,053,000	$127,953,000	$125,453,000	$127,053,000
1984.....	$156,690,000	$156,237,000	$158,190,000	$156,987,000
1985.....	$167,280,000	$173,820,000	$168,430,000	$186,941,000
1986 1/.....	$188,162,000	$194,925,000	$194,949,000	$194,949,000
Sequestered under P.L. 99-177..				$ 8,382,000
1987.....	$195,896,000			

1/ Does not include reductions pursuant to P.L. 99-177.

BLS-12

BUREAU OF LABOR STATISTICS
SALARIES AND EXPENSES

JUSTIFICATION

	1985 Comparable 1/		1986 Appropriation		1986 Estimate		1987 Estimate		Increase or Decrease	
	FTE	Amount $	FTE	Amount $	FTE	Amount $	FTE	Amount $	FTE	Amount $
Labor Force Statistics.....	336	89,686	353	91,737	351	87,782	327	88,809	-24	+1,027
Prices and Cost of Living.....	907	49,115	907	50,762	881	48,467	896	52,997	+15	+4,530
Wages & Industrial Relations.....	326	16,846	326	17,896	315	17,091	365	20,499	+50	+3,408
Productivity and Technology.....	90	4,621	90	4,920	87	4,699	88	5,038	+1	+399
Economic Growth & Employment Projections.....	52	3,083	52	3,205	52	3,059	46	3,035	-6	-24
Executive Direction and Staff Services.....	244	13,894	205	13,171	201	12,851	205	14,463	+4	+1,612
Consumer Price Index Revision....	135	9,696	266	13,258	252	12,616	189	11,055	-63	-1,561
Total Budget Authority.....	2,110	$186,941	2,199	$194,949	2,139	$186,565	2/ 2,116	$195,896	-23	+$9,331

1/ Included in the 1985 Column Above:
Comparative Transfer from the Employment and Training Administration, State Unemployment Insurance and Employment Insurance Operations +$13,661

2/ Included in the 1986 estimate above:
Sequestered under P.L. 99-177 -$ 8,382 and -60 FTE
Withdrawal pursuant to P.L. 99-190 -$ 2 and — FTE

GENERAL STATEMENT

The Bureau of Labor Statistics, the principal fact-finding agency in the Federal Government in the broad field of labor economics, has a dual mission to:

- Provide general purpose statistics that will be useful in developing economic and social policy, making decisions in the business and labor communities, developing legislative and other programs affecting labor, and conducting research on labor market issues; and

- Serve the program needs of the Department of Labor and other Executive Departments, which use the Bureau's data and research findings to administer and evaluate on-going programs, develop legislative proposals, and analyze economic and social problems.

To satisfy these objectives the Bureau collects, processes, analyzes, and disseminates data on employment and unemployment; prices and living conditions; consumer expenditures; wages and employee benefits; industrial relations activities; productivity and technological change in U.S. industries; projections of economic growth, the labor force, and employment by industry and occupation; and occupational injuries and illnesses. The last are developed under contract with the Occupational Safety and Health Administration. The principal criteria used in the development of these data and related analyses are their relevance to current social and economic issues; timeliness in reflecting changing economic conditions; quality; impartiality; and legislative requirements.

Most of the Bureau's data come from surveys conducted by the Bureau's field staff, by the Bureau of the Census on a contract basis, or jointly with cooperating agencies of State governments. Within the limits of Bureau resources, this statistical output is regularly and thoroughly reviewed to assure its accuracy, and new series are developed to respond to new or changing needs.

The Bureau is responsible for the production of some of the Nation's most sensitive and important economic series. Its major indicators are not only a key source of data used by the Administration and Congress in monitoring the state of the economy and implementing Federal legislation, but they are also used by industry and labor in their economic planning and collective bargaining activities as well as by both public and private institutions in a variety of other planning and analytic activities. BLS series also play a large and important role in the development of other Federal statistics, such as the Nation's Gross National Product, national income, and industrial production series, which are produced by the Department of Commerce.

For many years, the Federal Government has relied extensively on several Bureau series in the administration of Federal programs, i.e., the Consumer Price Index (CPI), the Producer Price Index (PPI), the survey of Professional, Administrative, Technical, and Clerical (PATC) pay, the Employment Cost Index (ECI), and Local Area Unemployment Statistics (LAUS). These series are used as escalators of various Federal transfer payments, Federal defense and other contract costs, wages and salaries of Federal white-collar workers, and as trigger mechanisms for the allocation of Federal funds provided by various assistance programs. Changes in BLS data have direct and extremely large effects on overall Federal budget expenditures, including Federal allocations to State and local jurisdictions, as well as on unit labor costs throughout the entire economy.

Two new uses of Bureau data may have far-reaching effects: (1) The Economic Recovery Tax Act of 1981 now requires adjustments in personal income tax brackets based on changes in the CPI-U over the two preceding years. This adjustment is intended to offset the effect of inflation on taxpayer liability, sometimes called bracket creep. And (2) during the summer of 1985, the Commodity Futures Trading Commission sanctioned the trading of futures contracts on the CPI-W. This trading--authorized in response to a petition from the Coffee, Sugar, and Cocoa Exchange--is intended to enable purchasers to hedge their resources against inflation.

It is easy to see, therefore, that the quality and security of the Bureau's data must be maintained at the highest possible levels: Very small errors could cause large misallocations of resources in both the public and private sectors.

In FY 1986 the Bureau has selected Gramm-Rudman-Hollings reductions that are in line with good managerial principles and that protect the on-going operations as much as possible. They are generally consistent with the FY 1987 budget request given the constraints on the implementation of P.L. 99-177. If savings targets cannot be met as currently planned for the last seven months of FY 1986, however, the Bureau will furlough staff as necessary in the August/September period to meet the resource requirements.

For FY 1987, the Bureau proposes (a) the continuation of base resources to produce its core statistical programs, and (b) the following program curtailments.

- selected reductions over a two year period, FY 1987 and FY 1988, in the Occupational Employment Statistics and Economic Growth and Employment Projections programs;

- elimination of one whole, relatively new, program--the survey of the Permanent Mass Layoffs and Plant Closings--which was initiated in FY 1984 and developed further in the following year; and

- a reduction in area employment detail in the Current Employment Statistics program.

Beyond these curtailments, scheduled reductions planned earlier will be implemented in the revision of the Consumer Price Index and in the Employment and Wages (ES 202) program for which resources were allocated for FY 1986 only.

And finally, in line with the President's productivity improvement plan, there will be a reduction of FTE and related funding by about two percent to reflect savings from productivity gains. The specific savings to be achieved will be identified during the course of FY 1986.

The Bureau requests additional resources to meet the following needs:

- an expansion of the survey of Professional, Administrative, Technical and Clerical (PATC) pay in white-collar occupations throughout the Nation to provide data from a broader group of industries including State and local governments and smaller establishments than the present survey covers. This expansion reflects the President's endorsement of the recommendation of his Cabinet Council on Management and Administration. It will increase the quality and scope of the data available for use in setting Federal white-collar salary levels.

- a new Universe Maintenance System (UMS) to improve the efficiency of the management of the Bureau's universe file of over five million business establishments and to permit the development of a new longitudinal data base. The latter will enable the Bureau to identify—as the data base expands—the types and characteristics of establishments that have shown job creation activity over time. The Bureau will then be able to analyze differences between job-creating and job-losing establishments. This information will be useful in the development of economic policy and will provide a better understanding of the reasons for and success of job creation activities. And,

- a strengthening of the Bureau's security measures to protect the Consumer Price Index from premature release, now that futures contracts based on the index are being traded in the commodity futures market.

As the Bureau makes these significant changes in program over the course of the coming year, it will continue to give close attention to the conservation of its base resources by advancing managerial efficiency and carefully monitoring its expenditures.

BLS-15

LABOR FORCE STATISTICS

1985 Comparable		1986 Appropriation		1986 Estimate		1987 Estimate		Increase or Decrease	
FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
336	$89,686,000	353	$91,737,000	351	$87,782,000	327	$88,809,000	-24	+$1,027,000

Introduction

This activity provides comprehensive and timely information on the labor force, employment, unemployment, and related labor market information at the national level; industrial and occupational employment at the State level; and unemployment at State and local levels. Data are obtained directly from households through the Current Population Survey (CPS), from establishment payroll records through the Current Employment Statistics and Occupational Employment Statistics Surveys, as well as indirectly from the administrative records of the State Unemployment Insurance agencies and other secondary sources.

Major components of this activity are described below:

Current Population Survey (CPS): The Bureau analyzes and publishes statistics from the Current Population Survey, which is conducted by the Bureau of the Census on a contractual basis for the Bureau of Labor Statistics. The survey, based on a sample of nearly 60,000 households, provides the following data for the Nation as a whole.

- monthly data on the labor force, employment, and unemployment, including the characteristics of workers, such as age, sex, race, ethnic origin, family relationships, marital status, occupation, industry, reason for, and duration of, unemployment. Summary statistics for the 11 largest States are also provided;

- monthly and/or quarterly data on the labor market experience and characteristics of special groups in the population, such as persons not in the labor force, including discouraged workers; persons of Hispanic origin; women; veterans; blacks; young workers; and poverty area residents;

- quarterly data on the usual weekly earnings of all wage and salary workers, cross-classified by a large number of demographic and family characteristics, such as dual-earner families and families maintained by women; and

- annual data on the demographic characteristics of the labor force for the 50 States and 30 large metropolitan areas, the income and work experience of the population, family characteristics of labor force participants, the number of children of working mothers, the educational attainment of the work force, and the employment situation of school-age youth.

Current Employment Statistics (CES) Survey: The Bureau produces, in cooperation with the State employment security agencies, employment, hours, and earnings statistics based on monthly reports from a sample of over 250,000 reporting establishments. Aggregated national data by major industry groups are first issued along with the CPS data on employment and unemployment in the monthly press release, The Employment Situation. Subsequently, more detailed data are published for some 580 industries at the national level. These data are used as current indicators of labor market trends, to assess overall economic conditions, and as a major component of national income and productivity statistics. In addition, many private contracts provide for escalating the labor cost component of long-term procurement contracts on the basis of changes in the CES earnings series.

Local Area Unemployment Statistics (LAUS): The Bureau produces--in cooperation with State employment security agencies--unemployment rates for States, counties, cities of 50,000 or more population, and other metropolitan statistical and labor market areas. The State agencies develop State and area estimates each month based on a methodology--developed by the Bureau--that uses administrative data from the Unemployment Insurance program in each State combined with data from the CPS for States and selected metropolitan areas. The Bureau's regional offices provide technical support and assistance to the State agencies. These estimates are used to (1) allocate funds under the Job Training Partnership Act (JTPA) of 1982; (2) designate labor surplus areas for use in Department of Defense policy planning; (3) measure the levels and trends in total unemployment at the State and local area levels for program administration and economic analysis; and (4) determine eligibility for Federal funds in the Department of Housing and Urban Development's Urban Development Action Grant program.

Insured Employment and Wages (ES-202): The Bureau develops, in cooperation with State employment security agencies, data on employment and wages of workers covered by the Unemployment Insurance system. The Bureau uses these data to benchmark data from its other sample surveys based on

payroll records. Other agencies also use these data, e.g., to estimate a large part of the wage and salary component of the Gross National Product and personal income accounts and to conduct research on financial aspects of the Unemployment Insurance (UI) System. Each State uses the "ES 202" employment data to calculate "total covered employment," which, in turn, is used to calculate the unemployment rate of persons who are insured under the UI system: These State rates are used to trigger extended UI benefits.

The Bureau maintains an up-to-date "universe" file of the establishments reporting under the State Unemployment Insurance system, from which samples are selected for the Bureau's establishment-based surveys. The Universe Maintenance System (UMS)--a data base maintenance system--edits, updates, organizes, stores, and retrieves information stored in this file. It includes the names of over five million establishments including their addresses and other characteristics. The Bureau also is responsible for the maintenance of the accuracy of the assignment of Standard Industrial Classification (SIC) codes to these establishments, which of course, directly affects the quality of the survey samples.

Occupational Employment Statistics (OES): The Bureau produces, in cooperation with State employment security agencies, data on employment by occupation for all nonagricultural industries at the national and State levels on a 3-year cycle. The cooperating agencies collect and process these data. The Bureau provides technical guidance through its regional offices and develops the national estimates. These data are used in the development of training programs developed under JTPA, as well as by the National Science Foundation in its assessments of the Nation's scientific, engineering and technical requirements, and in the Bureau's national matrix of occupational employment by industry, which is the data-base for the development of the Bureau's projections of occupational requirements in the years ahead.

Permanent Mass Layoffs and Plant Closings (PMLPC): The PMLPC program was established in FY 1984 at the direction of Congress to identify plant closings and to determine the impact of major job cutbacks on workers. The Bureau is developing, in cooperation with State employment security agencies, a reporting system, based primarily on State records from the unemployment insurance system, which will 1) identify major layoffs and plant closings of 50 or more workers; 2) outline the demographic and economic characteristics of the firms and the personal characteristics of the individuals affected; 3) provide more specific information on the nature of the layoffs; and 4) identify the impact on the individuals involved in permanent layoffs or plant closings who are still receiving unemployment benefits.

FY 1987 Budget Request

The BLS proposes to make the following additional changes to lower priority programs:

* Occupational Employment Statistics: reduce the level of employment detail and/or reduce the frequency of data collection; and

* Permanent Mass Layoffs and Plant Closings: eliminate this new survey.

* Current Employment Statistics: Reduction in area detail on employment.

More specific details of these reductions will be worked out jointly with the State agencies involved in the cooperative collection of these data during the course of FY 1986.

Except for the program reductions noted, production of the core series as described earlier for this Activity will continue. Other support activities included in the request are:

CPS: The redesign of the CPS processing system will be underway.

CES: The CES program will continue developmental activities for improving the quality, timeliness, and control of the sample, including work in such areas as establishment births, sample design, and data collection, quality, and estimation. The BLS will also begin production testing of Computer Assisted Telephone Interviewing (CATI), in several States. This phase of tests will identify major implementation problems, including organizational impact on the States, and will provide a full range of cost and workload data required to assess full scale implementation.

ES-202: A new and more efficient system to manage the establishment file--and to develop longitudinal data to track the job generation activities of business establishments--will be designed.

OES: Reductions in State activities planned in FY 1986 will be implemented. Additional planning for the remaining reduction scheduled for FY 1988 will be undertaken, as necessary.

This request does not include resources to revise the Standard Industrial Classification codes of industry establishments in its surveys. Although the OMB has announced a Government-wide revision to be initiated in FY 1987, the Bureau is awaiting further instructions on the extent of this revision before developing detailed resource requirements.

Workload/Output Measures	FY 1985 Actual	FY 1986 Revised Estimate	FY 1987 Proposal
	Series		
CPS: National labor force estimates (monthly, quarterly, annual or irregularly published).....	52,055r	40,637r 1/	37,935r 2/
CES: National employment, hours, and earnings series (monthly and annual)...	25,300	25,300 3/	25,300 3/
LAUS: Employment and unemployment estimates for States and local areas (monthly and annual).....	5,454r	5,484r	5,514
ES-202: Insured employment and wages for States and counties at 1-, 2-, 3-, and 4-digit SIC industries (quarterly)..	952,572	952,572	952,572
OES: survey is on a three-year cycle; (annual average series per State)			
Nonmanufacturing (29 2-digit SIC's)..	4/	4/	4,000 5/
Trade, utilities, transportation, government (96 3-digit SIC's).....	10,000	4/	4/
Manufacturing (20 2-digit SIC's)....	4/	3,300 6/	4/
	Other Output		
Reports on CPS demographic data for local areas (58,256 series)	1	1	1
Technical memoranda prepared.....	139r	139r	139
Data development and evaluation projects.....	107r	99r	98
Articles, reports, papers and bulletins on labor force developments.	72r	76r	75
State cooperative agreements negotiated and monitored for LMI programs.....	53	53	53
Establishment records (current and longitudinal) maintained by the Universe Maintenance System	5,100,000	5,300,000	5,500,000
PMLPC: (number of States)			
Initiating developmental work.....	8	43	-
Initiating on-going work.....	0	8	-
Not participating.....	43	-	-

r: revised

1/ This decrease from FY 1985 reflects an off-year for irregularly published series of work life estimates, which were last published in FY 1985.

2/ This decrease in FY 1987 reflects the effect of the displaced workers series published in 1986 but which--since it is published only intermittently--will not be published in FY 1987.

3/ The planned reduction in this program will not affect the national series; only the local area detail, which are not shown on this table, will be reduced.

4/ This segment of the survey is not scheduled for this year, in line with the three-year cycle for the three components of this survey.

5/ This level is tentative pending discussion with State agencies on the specific details of the reduction to be involved.

6/ This decrease reflects the P. L. 99-177 reduction in level of industry detail.

BLS-18

FY 1986

To respond to the requirements of P.L. 99-177, this Activity will adjust its program activities by:

* CPS: reducing the contract with the Bureau of the Census to delay completion of the redesign of the CPS processing system.

* CES: eliminating the estimation and publication of employment, hours, and earnings data for approximately 75 Metropolitan Statistical Areas.

* ES-202 quarterly report on Employment and Wages: eliminating special work to assure accuracy of the SIC industry code assignments of establishments under the Unemployment Insurance system in several major States that are still behind in the cycle for this work.

* OES: either eliminating local area manufacturing industry detail at the 3-digit SIC level, reducing timeliness or the size of survey samples by increasing error in some other way.

* LAUS: eliminating the development of revised substate area unemployment estimates for 1983.

* PMLPC: reducing developmental work in the State employment security agencies. The program will be closed in 1987.

Assuming that the Gramm-Rudman-Hollings changes delineated above produce the required savings, regular production, analyses, and publication of all monthly, quarterly, and annual series will continue. Other scheduled activities will be underway as described below:

CPS - The results of special CPS supplements on veterans and work schedules will be analyzed and published during the year. Initial data from a special supplement on displaced workers will be issued.

CES - The CES program is continuing to test data collection techniques--designed to improve data quality--that involve computer assisted telephone interviewing (CATI). Research on improvements in estimating methodologies and in the sampling frame for new businesses will also continue. The Bureau will work with the States to identify program reductions necessary to cover unfunded cost increases projected for FY 1987.

LAUS - A proposed comprehensive revision of the estimating methodology is being reviewed. A standard microcomputer based estimating system is being developed for use by cooperating State agencies.

ES-202 - BLS is assuming, for the first time, funding and managerial responsibilities formerly performed by the Employment and Training Administration. A software package to improve the management of SIC refiling activities in the State will be made available. As resources permit, catch-up work on the verification of SIC codes will be undertaken.

OES - Data for manufacturing industries will be collected but at a reduced level. The Bureau will work with the State agencies to develop a two-year time schedule for--and to identify the specific areas and/or frequency of survey operations to be involved in--this deficit reduction effort.

PMLPC - Developmental work and on-going data collection activities are continuing in the State agencies. Data processing and editing systems are being improved.

Plans to close down the program will be developed during the year.

FY 1985

The production, analyses, and publication of all monthly, quarterly, and annual series continued on schedule and included the following related activities:

CPS - The redesign of the CPS sample was completed effective with the data for July 1985. Expanded data on families and weekly earnings of workers was published.

CES - Work continued to improve this program, in accordance with the multi-year plan previously approved by Congress, including a) testing new data collection techniques designed to improve quality; b) research on feasibility of developing a national probability sample; c) developing new ways to computerize processes to improve the quality of the data and d) completing other improvements in line with the recommendations of the National Commission on Employment and Unemployment Statistics.

LAUS - Proposals for improvements in the methodology used to develop State and area unemployment rates were presented to State agencies and a panel of outside experts for their review and comment.

ES-202 - The system to edit county wage and employment data at aggregate levels was refined and improved to permit more timely and accurate processing of the data.

OES - Data for transportation, communication, utilities, and trade industries were collected according to the OMB-required new Standard Occupational Classification system. The new software package for survey processing and management procedures became operational in all States.

PMLPC - Eight States initiated developmental work to collect these data. Program specifications were developed for--and cooperative agreements signed with--those States planning to initiate developmental work in FY 1986.

Changes for 1987

Activity Changes:	
Built-in:	
Increased State costs in connection with the Federal-State cooperative programs	$3,471,000
Net cost of within-grade promotions and merit pay increases effective in 1987	269,000
Increased costs of GSA space rent	100,000
Increased costs of Census Bureau services	124,000
Increased costs of contractual services	103,000
Increased costs related to administrative and support services provided by the Department of Labor	188,000
Increased costs of printing	27,000
Increased costs in travel	21,000
Funding for legislated cost increased of permanent change of station moves	42,000
Increased cost of equipment	11,000
Elimination of one-year resources for SIC recoding	-1,367,000
Total Built-in	+$2,989,000
Net Program	-$1,962,000
FTE	-24

Program Increase

Proposal: To provide for costs necessary for current Population Survey processing system, and employment measures for selected statistical areas.

Rationale: Funds are requested to finance important work in this Activity.

Program Effect: Work will resume on completion of the Current Population Survey processing system and on estimation and publication of employment measures for selected Metropolitan Statistical Areas.

Base: FTE: 351 **Estimate:** $90,575,000

Program Increase: FTE: 2 **Estimate:** +$ 3,729,000

BLS-20 Reduction in FTE Related to Productivity Improvements

Proposal: To reduce dollars and positions in FY 1987, in keeping with the President's productivity improvement plan.

Rationale: To reflect improvements in productivity that result from increased effectiveness of program operations.

Program Effect: The specific effects to be achieved will be identified during the course of FY 1986.

Base:
FTE: 353 Estimate: $90,575,000

Program Decrease:
FTE: -7 Estimate: -$ 230,000

Reduction in OES Program

Proposal: To reduce the scope of the OES program, which is conducted jointly with State agencies, by a reduction the level of industrial detail or by a change in the frequency of collection. Details will be worked out with cooperating State agencies in FY 1986.

Rationale: A decrease in this lower priority program will help offset increases essential for higher priority BLS programs.

Program Effect: States will have less data, or less current data, for use as a base for the occupational projections that are used in developing training and vocational education programs and in the administration of the State employment service agencies. Federal policymakers will have less information about the nature, extent, and geographic location of employment restructuring that is taking place in U.S. industry.

Base:
FTE: 31 Estimate: $7,335,000

Program Decrease:
FTE: -2 Estimate: -$ 900,000

Elimination of the PMLPC Program

Proposal: To eliminate the PMLPC program, which is being conducted on a cooperative basis with State employment security agencies. This program is to collect quarterly data on permanent mass layoffs and plant closings for inclusion in an annual report to Congress.

Rationale: A decrease in this lower priority program will help offset increases essential for higher priority BLS programs.

Program Effect: Congress and other policy making officials will not have these data for assessing the extent and impact of mass layoffs and plant closures.

Base:
FTE: -17 Estimate: $4,785,000

Program Decrease:
FTE: -17 Estimate: -$4,785,000

Reduction in Area Employment Data In the CES Program

Proposal: To reduce the area detail on employment now provided by the CES program.

Rationale: A decrease in this lower priority program will help offset increases essential for higher priority BLS programs.

Program Effect: Program output will be reduced to match resource availability. The full effect of this reduction will not be known until cooperative agreements are negotiated with the States in mid-1986, but it is anticipated that, at a minimum, the number of areas for which employment data are collected and published will be reduced.

Base:
FTE: 89 Estimate: $23,756,000

Program Decrease:
FTE: 0 Estimate: -$ 1,366,000

DLS-21

Space Rent Charges

Proposal: To provide for the cost of GSA Space Rent charges.

Rationale: To provide for increases in the GSA Rent charges in excess of the estimated increases in the Federal Construction deflator.

Program Effect: The additional resources will allow BLS to pay the FY 1987 Space Rent charges assessed by GSA.

Base:
FTE: 353 **Estimate:** $90,575,000

Program Increase:
FTE: 0 **Estimate:** +$ 243,000

Development of a Longitudinal File of Business Establishments

Background: The Bureau's Universe Maintenance System, which maintains the file of approximately five million establishments, has become out-moded by current advances in computer systems design so that it cannot handle the development of a much needed longitudinal database file: The present system is hard to maintain, because services are not available for it, and the sheer size of the database, which grows as the economy grows, has exceeded the design capabilities of the current system.

Proposal: To redesign the Bureau's Universe Maintenance System (UMS) so that it will be more efficient and make possible the development of a longitudinal file of business establishments.

Rationale: The present UMS lacks the capability to match business establishments over time. Yet these data are needed to identify sources of job creation. The fact that the U. S. economy has created more than 8 million jobs during the course of the economic recovery has become a significant issue of world-wide interest. While existing Bureau measures have tracked the American economy's job creation ability at the macro-level, there is a pressing need to be able to identify the particular types of establishments that are contributing to the economy's job creation performance. Pioneering work on this issue at the Massachusetts Institute of Technology has indicated that two-thirds of the newly created jobs are in small establishments. This work, however, is based on an establishment list that is known to be incomplete and not up-to-date, particularly in its listing of small establishments. The Bureau's universe file, if properly maintained, would provide a more reliable source of this data, and provide a more accurate and efficient sampling source for all BLS establishment surveys.

Program Effect: In addition to improved efficiency, the new system would enable the development of a longitudinal data base of the Nation's business establishments. The Bureau would then be able to analyze the birth, death and growth patterns of specific establishments over time as well as differences between job-creating and job-losing establishments. These analyses would be useful in (a) providing a better understanding of the reasons for and success of job creation activities, (b) developing economic policy, and (c) making decisions affecting economic and trade policy. In addition to creating a longitudinal data base, the redesign of the UMS would also improve the quality of the universe from which many BLS samples are selected.

Base:
FTE: 0 **Estimate:** $ 0

Program Increase:
FTE: 0 **Estimate:** +$ 1,347,000

BLS-22

PRICES AND COST OF LIVING

1985 Comparable		1986 Appropriation		1986 Estimate		1987 Estimate		Increase or Decrease	
FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
907	$49,115,000	907	$50,762,000	881	$48,467,000	896	$52,997,000	+15	+$4,530,000

Introduction

This program provides comprehensive and detailed measures of price change for several different levels within the U.S. economy and estimates of consumers' incomes and expenditures. The program's output is an essential element in the analysis of price behavior and consumer spending patterns, the interpretation of price movements in relation to other major economic changes, and the formulation and evaluation of economic policies. The most widely-used statistics developed in this program are monthly measures of price change for the consumer and producer sectors of the economy.

The Consumer Price Index Program is the principal source of information concerning trends in prices paid by consumers in the United States. The data provided by this program are used in the formulation and evaluation of economic policy; in wage negotiations; and for escalation of wages, pensions, and payments in a number of Federal programs such as Social Security and food stamps. The Consumer Price Index is also used (1) to adjust the dollar value of Federal personal income tax brackets and individual exemptions, (2) in deflation of the National Income and Product Accounts, and more recently (3) to trade futures contracts: The par value of each contract is based on the CPI-W multiplied by $1,000, and large sums of money may be involved in such transactions. This trading is intended to enable purchasers to hedge their resources against inflation. As a result, for the first time, substantial direct benefits may accrue to investors, if they are able to obtain advance information on the exact CPI.

The Industrial Price Program is the principal source of information on changes in prices received by producers of the Nation's goods and services. The Producer Price program provides detailed monthly price indexes for 9,000 commodities and commodity groups. These detailed indexes are combined into stage-of-processing price indexes, which are comprehensive indicators of price change in pre-retail markets. The program is approaching the end of a major revision. Current publication of revised Producer Price Indexes includes approximately 98 percent of the value of production in the mining and manufacturing sectors of the U.S. economy in 485 industries. Although these indexes are industry-based, detailed commodity indexes are also published. Summary indexes are used extensively in the formulation of public and private economic policy. Detailed indexes are used for market analysis, escalation of at least $200 billion in purchase and sales contracts, deflation of the National Income and Product Accounts, valuation of inventories, and calculation of capital equipment replacement costs.

The International Price Program is the principal source of information on price change of United States' exports and imports. Indexes for detailed and aggregate commodity groups provide measures of prices paid in the U.S. for foreign goods sold in U.S. markets and of prices received by U.S. manufacturers for U.S. goods sold in other countries. These indexes are used in the private sector for market analyses, contract escalation, inventory valuation and replacement cost accounting. They are used by policymakers to measure the effect of other countries' prices and exchange rates on price levels in the United States and to analyze the competitive position of U.S. goods and services in world markets. Representatives of the United States use these indexes in international trade and financial negotiations. The indexes are also used for deflating the foreign trade sector of the National Income and Product Accounts.

The Consumer Expenditures Program provides data on consumers' expenditures including estimates of spending for major components of consumption classified by such characteristics as income and size of family. Data for this program are collected through two surveys, a Quarterly Interview Survey to obtain comprehensive information for major categories of income and expenditure and a Diary Survey to obtain expenditure information for smaller, frequently purchased items. This program is undergoing major change as it makes the transition from development to regular publication of current information on consumers' spending and income. Data from this program are essential to the Consumer Price Index program for revising both the samples of items priced and expenditure weights. The data are also used by analysts in the public and private sectors to assess the impact of policy changes on consumption and to evaluate general economic and market trends.

The Price and Index Number Research Program is carried out to strengthen and improve existing price measurement concepts and techniques as well as to develop new price measures. In-depth economic and statistical research, such as analysis of consumer behavior, adjustment of price statistics to account for quality change, and measurement of the cost of living, is an ongoing part of this program.

FY 1987 Budget Request

The production of the core series will continue including the following activities:

Consumer Price Index Program: Beginning with the CPI for January, the revised index that reflects new expenditure weights, a new geographic sample --including 14 new local areas and approximately 20 new item indexes--will be published. In addition, a new sample of retail outlets will be introduced in 7 local areas. A Point-of-Purchase Survey will be conducted in 20 additional local areas as part of the program to update about 20 percent of the CPI outlet sample annually.

Industrial Price Program: Approximately one-fifth of the PPI sample will be revised as part of the on-going evaluation and maintenance of indexes covering the mining and manufacturing sectors of the economy. The process of updating the index weights to reflect the 1982 Census of Manufacturers will be completed for all PPI industries and products. An experimental price index for the output of the computer industry will be introduced.

International Price Program: The process of updating index classes and weights to 1985 trade weights--based on Bureau of the Census data--will be completed.

Consumer Expenditures Program: Data from the Consumer Expenditure Surveys--Diary and Quarterly Interview--for 1985 will be published. Plans to test a modified Quarterly Interview Survey will be completed--part of a regular improvement effort--and a test of the survey will begin with a small sample.

Service Sector Price Indexes: The developmental work to expand the coverage of the International and Industrial Price Programs in the service sector will continue. Coverage of experimental indexes in retail trade, transportation and communication will be increased for the domestic economy.

Research Program: Research efforts will continue to support prices and cost of living programs, especially in the development of service sector price indexes.

BLS-24

Workload/Output Measures	FY 1985 Actual	FY 1986 Revised Estimate	FY 1987 Proposal
Consumer Prices and Price Indexes			
Outlet contacts (monthly).....	21,200r	22,700r 1/ 2/	26,400 1/ 3/
Price quotations collected/ processed (monthly).....	97,900r	103,600r 2/	103,100 1/ 3/
Indexes published (monthly).....	7,806r	7,806r	8,532 1/ 3/
Outlet initiations (annually).....	7,200	9,000 1/ 2/	7,700 1/ 3/
Rent/Rental equivalence price quotations (monthly).....	9,200	20,400 1/ 2/	17,300 1/ 3/
Producer Prices and Price Indexes			
Commodity indexes published (monthly).....	7,800	9,000	9,000
Revised mining and manufacturing indexes published (monthly).....	408	485	485
Service industry indexes published (percent of value of domestically-produced and consumed services).....	7.4r	20.4r	31.0
International Prices and Price Indexes			
Export price indexes (percent of value of products traded).....	100	100	100
Import price indexes (percent of value of products traded).....	100	100	100
Services industry indexes published (percent of value of trade)			
Export price indexes.....	0	2.2	2.2
Import price indexes.....	0	1.0	1.0
Consumer Expenditures and Income			
Diary survey bulletin.....	1	1	1
Interview survey bulletin.....	0	2	1

r: revised

1/ Changes made as part of the revision of the Consumer Price Index, including the overlap of revised and old samples and indexes.

2/ These estimates include reductions necessitated by P.L. 99-177.

3 These estimates assume a 91 area geographic sample and have not been reduced to reflect the effect of changes implemented in FY 1986 in response to P.L. 99-177.

FY 1986

To respond to the requirements of P.L. 99-177, this Activity will adjust its program activities by:

* CPI: In line with the reductions for the Revision of the Consumer Price Index described in Activity 7, BLS will delay the Point-of-Purchase Survey in four areas and cancelling it for four additional areas consistent with a reduced geographic sample for the revised CPI.

* PPI: delaying the completion of the computer system, the resampling of industry indexes, and updating of PPI weights, as well as reducing training for data collectors.

* IPP: delaying outlet sample replacements for imported petroleum and chemicals.

* CES: delaying the processing of survey data—a survey improvement effort—as well as the system for the calculation of variances.

* Service Sector: reducing developmental work on new measures planned in the PPI and IPP programs.

Assuming that the Gramm-Rudman-Hollings changes delineated above provide the required savings, production, analyses, and publication of all monthly, quarterly, and annual series will continue:

Consumer Price Index Program: The Consumer Price Indexes for All Urban Consumers and Urban Wage and Clerical Workers will continue to be published on a monthly basis.

Industrial Price Program: Monthly publication of existing Producer Prices Indexes will continue. Introduction of new industry indexes will complete the coverage of the mining and manufacturing sectors of the economy.

International Price Program: Export and Import Price Indexes will continue to be published for the foreign trade sector of the economy, representing 100 percent of the value of products imported into and exported from the United States.

Consumer Expenditure Program: Data from the Consumer Expenditure Surveys—Diary and Quarterly Interview—for 1984 will be published as this program reaches a regular production mode of operation.

Service Sector Price Indexes: Service sector price index development will continue, but at the reduced levels dictated by P. L. 99-177.

Research Program: Research efforts continue to support Prices and Cost of Living Programs. In particular, work continues in support of service sector price index development, updating and maintaining an experimental CPI which includes taxes and analysis of seasonal adjustment in price indexes.

FY 1985

Regular production activities in the principal areas—consumer prices, industrial prices, international prices, consumer expenditures, and research programs—were completed. Developmental work for service sector price indexes continued.

Changes for 1987

Activity Changes	
Built-in:	
Net cost of within-grade promotions and merit pay increases effective in 1987	$ 560,000
Increased costs of GSA space rent	212,000
Increased costs of Census Bureau services	86,000
Increased costs of contractual services	559,000
Increased costs related to administrative and support services provided by the Department of Labor	215,000
Increased costs of printing	18,000
Increased costs in travel	62,000
Funding for legislated cost increase of permanent change of station moves	171,000
Increased cost of equipment	17,000
Total Built-in	+$1,900,000
Net Program	+$2,630,000
FTE	+ 15

BLS-26

Program Increase

Proposal: To provide for costs necessary for Point-of-Purchase survey, Producer Prices and Price Indexes, International Prices and Price Indexes, and Consumer Expenditure test data.

Rationale: Funds are requested to finance important work in this Activity.

Program Effects: Work will resume on four areas in the Point-of Purchase survey; resampling and updating of some Producer Price and International Price Indexes, and processing of CES test data.

Base:
FTE: 881 Estimate: $50,367,000

Program Increase:
FTE: 26 Estimate: +$ 2,183,000

Program Restoration for Advisory and Assistance Services

Proposal: To restore the amounts withheld from obligation pursuant to Section 515, P.L. 99-190.

Rationale: The withheld funds decreased the FY 1986 base upon which the 1987 request was developed. These amounts must be restored to the base to explain the changes from the revised 1986 base to the 1987 President's budget request.

Program Effects: Resources that were affected by withholding of FY 1986 funds will be restored to their planned levels for FY 1987.

Base:
FTE: 881 Estimate: $50,367,000

Program Decrease:
FTE: 0 Estimate: +$ 2,000

Reduction in FTE Related to Productivity Improvements

Proposal: In keeping with the President's productivity improvement plan, this activity will reduce dollars and positions in FY 1987.

Rationale: To reflect improvements in productivity that result from increased effectiveness of program operations.

Program Effect: Specific effects to be achieved will be identified during the course of FY 1986.

Base:
FTE: 907 Estimate: $50,367,000

Program Decrease:
FTE: -11 Estimate: -$ 361,000

Security of the Consumer Price Index for Operations in this Activity

Background: When the futures market on the CPI appeared likely to occur, BLS completed a careful review of its security procedures. Although a number of steps have been taken already to improve the physical security of procedures related to the review and processing of data, further protection needs to be provided in both Prices and Living Conditions and Executive Direction Activities.

Proposal: The Bureau proposes to tighten its internal security measures covering operations with particular emphasis on preventing premature or inadvertent disclosure of CPI data given the recent creation of a CPI futures market:

- Tightening Internal Safeguards in the Bicentennial Building, including further strengthening of guard services and securing other housekeeping functions. And,

- Conducting Security Investigations of personnel who have sensitive positions related to the CPI. The Office of Personnel Management's regulations have long required that each position in a program, such as the CPI, be assigned a sensitivity designation commensurate with the responsibilities and other attributes of the program and the position. In the past--because the threat potential did not seem acute enough to justify the resource requirements of lengthy and costly investigations--the Bureau has only required security investigations of its SES personnel and certain selected positions, including those involving BLS financial activities. In anticipation of the sale of CPI futures, however, the Bureau has determined that selected sensitive positions should have security investigations. These investigations, which will be conducted by the Office of Personnel Management will begin in FY 1987, if this proposal is approved.

Rationale: For the first time, advance information about the change in the CPI could result in large personal gain. The production and publication environment of the CPI, therefore, must be made more secure than it presently is to protect the index against premature disclosure that might yield unfair advantage to traders of the CPI on the futures' market.

Program Effect: With these new measures, the CPI should be better protected against unauthorized release.

Base:
FTE: 0 Estimate: $ 0

Program Increase:
FTE: 0 Estimate: +$ 275,000

Space Rent Charges

Proposal: To provide for the cost of GSA Space Rent charges.

Rationale: To provide for increases in the GSA Rent charges in excess of the estimated increases in the Federal Construction deflator.

Program Effect: The additional resources will allow BLS to pay the FY 1987 Space Rent charges assessed by GSA.

Base:
FTE: 907 Estimate: $50,367,000

Program Increase:
FTE: 0 Estimate: +$ 531,000

BLS-28

WAGES AND INDUSTRIAL RELATIONS

1985 Comparable		1986 Appropriation		1986 Estimate		1987 Estimate		Increase or Decrease	
FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
326	$16,846,000	326	$17,896,000	315	$17,091,000	365	$20,499,000	+50	+$3,408,000

Introduction

This Activity provides for the development of a comprehensive body of reliable information on employee compensation (wages and benefits) and industrial relations. It includes several kinds of wage and compensation surveys: the Employment Cost Index (ECI), the newest and most comprehensive measure of changes in compensation for the total private nonfarm economy and State and local governments; area wage surveys; industry wage surveys; a Nation-wide survey of Professional, Administrative, Technical, and Clerical (PATC) salaries used to set Federal white-collar pay as required by the Federal Comparability Act of 1970; as well as a comprehensive survey of the incidence and characteristics of employee benefits reported in plans. Another major component of this Activity, labor-management relations, includes analyses of wage and benefit changes in major collective bargaining settlements, an hourly earnings index, statistics on work stoppages, and special reports on pending labor-management negotiations in major bargaining units.

The objective of all these program components is:

-To produce, at lowest possible costs, accurate compensation and wage measures that are relevant to current economic conditions and to the statistical needs of analysts, policymakers, and those engaged in collective bargaining.

-To provide data that assist in the administration of Federal laws, including those that deal with pay setting for employees of (a) the Federal Government and (b) private firms who work on Federal contracts.

-To support Federal policy to promote "sound and stable industrial peace," which is advanced by having objective data accepted by both labor and management during the collective bargaining process.

-To develop a comprehensive, cohesive, and cost-effective wage and benefit program by improving the consistency among all occupational wage and benefit surveys in this Activity, including the ECI.

These programs are based primarily on data gathered directly from establishments, largely by personal visits and mail questionnaires. Data from secondary sources are used in some parts of this program, such as current wage developments.

FY 1987 Budget Request

White collar salary data from the FY 1987 PATC survey will be published: (a) the 1987 survey will reflect expansion of the sample to include all establishments with as few as 20 employees in service industries, and State and local governments, in line with the multi-year plans approved last year by the Cabinet Council on Management and Administration. This expansion will provide the President's Pay Agent (the Secretary of Labor and the Directors of the Office of Management and Budget and the Office of Personnel Management) with the results of the 1987 survey combined with those of the FY 1986 survey data updated by the pay changes between March 1986 and March 1987 as reported by an appropriate Employment Cost Index series. The data on State and local governments, collected as part of the FY 1987 survey expansion, will provide information on the effect of including these data in the pay setting process, now limited by law to private enterprises.

The employee benefits survey and occupational wage surveys of 70 areas and 9 industries will be completed. The area wage survey program will be restructured over the next 4 years to include a new sample of areas reflecting new Metropolitan Statistical Area definitions and employment shifts reported in the 1980 Census of Population and Housing.

The Employment Cost Index (ECI) will be published quarterly and its sample will be replenished to offset the effects of the attrition of establishments that are no longer in business or refuse to respond. In line with the Bureau's new service sector initiative, new ECI indexes will be published for (a) private, nonfarm workers in Banking, Business Services, and Hospitals and (b) hospitals in the private sector and State and local governments combined.

BLS-29

Estimates of collective bargaining settlements will be published quarterly for the private sector and semi-annually for the public sector. Current Wage Developments including information on work stoppages involving 1,000 or more workers and the Hourly Earnings Index will be published monthly.

Workload/Output Measures	FY 1985 Actual	FY 1986 Revised Estimate	FY 1987 Proposal
Employment Cost Index--no. of schedules	3,900	4,300 1/	4,700 1/
PATC white-collar survey --no. of schedules	3,500	5,200 2/	5,500 3/
Employee Benefits Survey			
Number of schedules	1,500	1,500	1,500
Plans analyzed	7,000	7,000	7,000
Occupational wage surveys of areas and industries: no. of schedules	13,600	12,900 4/	13,600
Occupational wage and benefit surveys Special analyses and reports	6	4 4/	6
Collective Bargaining			
Settlements reviewed	2,500	2,500	2,500
Number of contracts maintained	4,900	4,900	4,900
Current Wage Developments: Number of tables, including those for the Hourly Earnings Index and work stoppages	275	275	275

1/ Reflects additional schedules for the service sector, part of the Bureau's service sector initiative.
2/ Includes additional 1,700 schedules for the PATC expansion funded in FY 1986 by reimbursable funds.
3/ Includes 400 additional schedules to cover the further expansion of the PATC survey.
4/ Reduction reflects impact of P.L. 99-177.

FY 1986

To respond to the requirements of P.L. 99-177, this Activity will adjust its program activities by:

* Industry and Area Wage Surveys:

  - deferring or eliminating four area and/or industry occupational wage surveys from the six now scheduled (areas: Chattanooga, Tennessee; Albany-Schnectady-Troy, New York; Paterson, New Jersey; Oklahoma City, Oklahoma; and industries: footwear; structural clay products);

  - lengthening the time between the completion of the survey and the publication of the bulletin containing survey results; and

  - increasing the proportion of data collected by phone instead of personal visit.

* Employment Cost Index and Employee Benefits Survey: Deferring (1) the development of a computer system to handle new employer approaches to employee benefits that cannot be recorded by the present system, (2) publication of data on employer costs for compensation, (3) the publication of new service sector measures planned for the ECI, (4) training for computer systems analysts and data collectors, and (5) two of three special reports scheduled for publication in the Monthly Labor Review on mental health benefits, supplementary pension plans, and/or trends in pension plans.

BLS-30

Assuming that the Gramm-Rudman-Hollings changes delineated above produce the required savings regular production, analyses, and publication of all monthly, quarterly, and annual series will continue. Other scheduled activities will proceed as described below:

The PATC survey will be expanded--as a result of special funding arrangements made for FY 1986 by the Office of Management and Budget--to cover establishments with as few as 50 employees; the results of the expanded survey will be delivered in the first week in August to the President's Pay Agent. Occupational wage surveys of industries and areas will be completed within the limits of resource availability. Employee Benefits Survey data for 1985 will be completed along with a more detailed analyses of profit sharing plans, savings and thrift plans, and stock ownership plans.

The Employment Cost Index will continue to be published quarterly and the occupational and industrial employment weights will be updated to reflect information from the 1980 Census of Population and Housing. New service sector indexes providing rates of change in compensation and wages will be introduced including separate indexes for Wholesale and Retail Trade in the private sector and Health Services in both the private sector and State and local governments.

Data on collective bargaining settlements will be issued quarterly for the private sector and semi-annually for State and local governments. The collective bargaining agreement file will be updated. Current Wage developments including data on work stoppages and the Hourly Earnings Index will be published monthly.

FY 1985

Regular program activities continued on schedule. Results of the survey of Professional, Administrative, Technical, and Clerical (PATC) pay were delivered to the President's Pay Agent on July 8, 1985, and plans were completed for expanding the survey in FY 1986 with reimbursable funds from other agencies. Occupational wage surveys were completed in 70 metropolitan areas and in 7 industries. Data from the 1984 Employee Benefits Surveys, including more detail on the characteristics of pension plans, were published.

The Employment Cost Index was published quarterly. Work was initiated on a multi-year plan to expand service-sector coverage of the ECI: New ECI indexes of rates of change in compensation (wages and salaries and employer costs for employee benefits) and wages alone were introduced for the following private, service-producing industries: Transportation; Public Utilities; Wholesale and Retail Trade; Finance, Insurance, and Real Estate; and Services.

Data on the results of collective bargaining settlements were issued quarterly for the private sector and semi-annually for State and local governments. For the first time, data were published on smaller settlements covering 1,000 to 5,000 employees in State and local governments. Current Wage Developments, a periodical, was published monthly.

Changes for 1987

Activity Changes:	
Built-in:	
Net cost of within-grade promotions and merit pay increases effective in 1987	$ 261,000
Increased costs of GSA space rent	95,000
Increased costs of contractual services	25,000
Increased costs related to administrative and support services provided by the Department of Labor	86,000
Increased costs of printing	14,000
Increased costs in travel	38,000
Funding for legislated cost increase of permanent change of station moves	42,000
Increased cost of equipment	8,000
Total Built-in	+$ 569,000
Net Program	+$2,839,000
FTE	+ 50

Program Increase

Proposal: To provide for costs necessary for Industry and Area Wage Surveys, Employment Cost Index, and Employee Benefits Survey.

Rationale: Funds are requested to finance important work in this Activity.

Program Effects: Work which had been delayed in the Industry and Area Wage Surveys and Employment Cost Index and Employee Benefits Survey will resume.

Base:
FTE: 315 Estimate: $17,660,000

Program Increase:
FTE: +11 Estimate: +$ 769,000

Reduction in FTE Related to Productivity Improvements

Proposal: To reduce dollars and positions in FY 1987, in keeping with the President's productivity improvement plan.

Rationale: To reflect improvements in productivity that result from increased effectiveness of program operations.

Program Effect: The specific effects to be achieved will be identified during the course of FY 1986.

Base:
FTE: 326 Estimate: $17,660,000

Program Decrease:
FTE: -7 Estimate: -$ 230,000

Continued Expansion of the PATC Survey

Proposal: In response to the recommendations of the Cabinet Council on Management and Administration the Bureau proposes to expand this survey further in FY 1987 (a) by lowering the minimum establishment size for private establishments down to 20; (b) expanding the survey coverage of the service industries; and (c) adding State and local governments. The expansion plan, approved earlier by OMB, provides for surveying one of two rotating sample groups (private sector excluding services; and service industries plus State and local governments) each year. Data from the sample group not surveyed in a given year would be updated with an appropriate series from the Bureau's Employment Cost Index. This proposal is being implemented in FY 1986 with reimbursable funds.

Rationale: The pay adjustment system for the Federal Government's 1.5 million white-collar employees has come under increasing criticism because each percentage change in salaries costs roughly one-half billion dollars. For the last seven consecutive years, the comparability recommendations based on PATC results from the current system have given way to smaller adjustments chosen by the President under alternative provisions of the 1970 Act. As a result, Federal salaries are now 19 percent below private industry salaries as measured by the present survey. Critics of the pay system argue that the 19 percent differential would shrink if the scope of the PATC survey were expanded to small firms, additional industries, and State and local governments. Regardless of the impact, the General Accounting Office, the Grace Commission, and most recently the President's Cabinet Council on Management and Administration have recommended the proposed, broader-based survey to strengthen its quality.

Program Effect: The quality of the PATC survey data will be increased and data on State and local governments will be available, should Congress want to amend the legislation to permit their use.

Base:
FTE: 63 Estimate: $3,409,000

Program Increase:
FTE: +46 Estimate: +$2,062,000

BLS-32

Space Rent Charges

Proposal: To provide for the cost of GSA Space Rent charges.

Rationale: To provide for increases in the GSA rent charges in excess of the estimated increases in the Federal Construction deflator.

Program Effect: The additional resources will allow BLS to pay the FY 1987 Space Rent charges assessed by GSA.

Base:		
FTE: 326	**Estimate:**	$17,660,000
Program Increase:		
FTE: 0	**Estimate:**	+$ 238,000

BLS-33

PRODUCTIVITY AND TECHNOLOGY

1985 Comparable		1986 Appropriation		1986 Estimate		1987 Estimate		Increase or Decrease	
FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
90	$4,621,000	90	$4,920,000	87	$4,699,000	88	$5,038,000	+1	+$339,000

Introduction

The Productivity and Technology program measures productivity movements in major sectors of the economy and in individual industries; identifies the sources of productivity growth; investigates the nature of technological change and its effect on employment; and publishes--for the major industrialized countries of the world--measures of productivity, hourly compensation, unit labor costs, and employment and unemployment that have been adjusted to make them more consistent with the definitions used in this country. These data are used to (1) assess the condition of the United States economy both internally and in relation to other major industrialized countries and (2) to formulate economic policy.

More specifically, domestic measures of output per hour of all persons in the business, non-farm business, manufacturing, and non-financial corporate sectors are reported quarterly and annually. Related measures of hourly compensation, unit labor costs, unit non-labor costs, and real hourly compensation also are reported at the same time. Measures of multifactor productivity, i.e., output per unit labor and capital inputs combined, are published annually for major sectors. Detailed quarterly and long-term analyses of productivity performance are published regularly in the Monthly Labor Review, a BLS periodical. Annual measures also are developed for major manufacturing industries, such as steel and automobiles, and for key industries in the rapidly expanding service sector. Measures for the major industrialized countries are published annually except for unemployment, which is published quarterly.

In addition, productivity in the Federal Government and its various functions, including the Postal Service and communications, is measured annually.

FY 1987

The regular output of this activity will continue together with the following new work and quality advances.

Major sector productivity measures: Improved measures of capital inputs which contribute to multifactor productivity growth will be incorporated in published series. Multifactor productivity measures will be prepared for additional nonmanufacturing industry groups. Labor input measures for detailed manufacturing industries will be improved by using the results of the hours worked survey and new labor composition measures. Work on the effects on productivity growth of diffusion of technological innovations will continue, while study of the effects of capacity utilization will be completed. Effects of growth and diversification of financial assets on productivity growth will be analyzed.

Industry and government productivity measures: In line with the Bureau's effort to expand its statistical coverage of the service sector of the economy, developmental work on new service industries including nursing homes will continue. Annual labor productivity measures for additional industries will be completed. A multifactor productivity measure for a major service sector industry--telephone communications--also will be developed. Coverage of the Federal Government productivity measurement program will be continued at the same level. Technical support also will be provided to the President's productivity improvement program as requested by OMB. Reports which assess the impact of technology on employment will be completed for four additional industries.

International measures: The comparative measures on labor productivity, hourly compensation costs, unemployment, and related series will be updated and research reports related to these measures will be prepared. Reports will also be issued on the alternative measures for comparing unemployment and sectoral shifts in employment. A draft research report will be prepared on the Japanese multifactor productivity measures and work will continue on developing multifactor measures for Germany.

BLS-34

Workload/Output Measures	FY 1985 Actual	FY 1986 Estimate	FY 1987 Proposal
Productivity Measures for Major Sectors			
Labor Productivity Measures			
Major Studies	1	1	1
Articles	4	4	4
Series Maintained	33,300	33,300	33,300
Multifactor Productivity Measures			
Major Studies	5	4 1/	5
Articles	5	4 1/	5
Special Reports	14	14	14
Series Maintained	72,500	76,500	76,500
Productivity Measures for Industries			
Labor Productivity Measures			
Major Studies	3	2	2
Articles	4	4	4
Series Maintained	33,400	33,500	33,600
Multifactor Productivity Measures			
Major Studies	1	1	2
Articles	0	1	1
Series Maintained	45	60	90
Productivity Measures for Government			
Major Studies	0	0	0
Articles	1	1	1
Series Maintained	22,510	22,510	22,510
Technology Studies			
Major Studies	4	2 1/	4
Articles	1	1	1
International Measures			
Major Studies	2	1	2
Articles	1	4	4
Special Reports	15	9	9
Series Maintained	1,700	1,850	1,900

1/ Reduction reflects the impact of P.L. 99-177.

FY 1986

To respond to the requirements of P.L. 99-177, this Activity will defer the following work activities:

* the development of multifactor productivity measures for two major sectors of the economy--public utilities and mining.

* two industry studies of the impact of technology on employment --petroleum refining and electric utilities.

Assuming that the Gramm-Rudman-Hollings changes delineated above produce the required savings, the regular output of this Activity will continue and the following new work and quality advances will be under way.

Major sector productivity measures: New multifactor measures for nonmanufacturing industry groups that include capital, labor, energy, and other intermediate inputs will be developed. Other measures will be developed

for total manufacturing and more detailed manufacturing industries. Work will continue to improve labor input measures to take into account changes in labor composition. In addition, work will continue to determine the effects on productivity growth of the diffusion of technology, the level of capacity utilization, and research and development expenditures. The results of the annual hours worked survey will be evaluated and incorporated into productivity measures where appropriate.

Industry and government productivity measures: Developmental work on new measures for industries in the service sector of the economy, including auto repair shops and hardware stores, will continue. Annual labor productivity measures will be developed for four additional industries including the hospital service industry, and a multifactor measure for another industry will be prepared. Coverage of the Federal Government productivity measurement program, which was expanded in FY 1985, will be continued at the same level.

Technology studies: Reports that assess the impact of technology on employment will be completed for two additional industries. This reduction delays the availability of information on the impact of technological change on employment among U.S. industries.

International measures: Measures of labor productivity, hourly compensation costs, unemployment, and related series will be updated and research reports related to these measures also will be prepared. Reports will be issued on comparisons of manufacturing production worker hourly compensation costs. Work will continue on the development of multifactor productivity comparisons, alternative measures for comparing unemployment, and on sectoral shifts in employment.

FY 1985

Regular output was released on schedule and the following new work and quality improvements were completed.

Major sector productivity measures: A preliminary study of the impact of using hours worked measures to compute labor productivity was completed and published. Special studies were completed of multifactor productivity in detailed manufacturing industries, total manufacturing, and additional broad industry groups. The effects of capital stock obsolescence and change in capacity utilization on trends in output per hour and in multifactor productivity were analyzed. Research was initiated on the effects of alternative rental price computations on capital services and preliminary results were reported in a conference paper.

Industry and government productivity measures: Current series were maintained and new annual measures for four additional industries including barber and beauty shops in the service sector were prepared. Developmental work on additional measures for the service sector of the economy including several retail trade industries was initiated.

The coverage of the annual productivity measure for the Federal Government was expanded. Special analyses of the employment implications of recent technological changes in four industries also were undertaken.

International measures: Comparisons of labor productivity, hourly compensation costs, unemployment, and related measures for industrialized countries were updated and issued. Work continued on the development of multifactor productivity comparisons among industrialized countries and a conference paper on alternative measures of capital inputs in Japan was presented.

Changes for FY 1987

Activity Changes	
Built-in:	
Net cost of within-grade promotions and merit pay increases effective in 1987	$ 72,000
Increased costs of GSA space rent	25,000
Increased costs of contractual services	4,000
Increased costs related to administrative and support services provided by the Department of Labor	23,000
Increased costs of printing	1,000
Increased costs in travel	1,000
Increased cost of equipment	4,000
Total Built-in	+$130,000
Net Program	+$209,000
FTE	+ 1

BLS-36

Program Increase

Proposal: To provide for costs necessary for multifactor productivity measures and industry studies.

Rationale: Funds are requested to finance important work in this Activity.

Program Effects: Work on development of multifactor productivity measures for public utilities and mining will continue and work will resume on two industry studies of the impact of technology on employment.

Base:
FTE: 87 Estimate: $ 4,829,000

Program Increase:
FTE: +3 Estimate: +$ 212,000

Reduction in FTE Related to Productivity Improvements

Proposal: To reduce dollars and positions in FY 1987, in keeping with the President's productivity improvement plan.

Rationale: To reflect improvements in productivity that result from increased effectiveness of program operations.

Program Effect: Specific effects to be achieved will be identified during the course of FY 1986.

Base:
FTE: 90 Estimate: $4,829,000

Program Decrease:
FTE: -2 Estimate: -$ 66,000

Space Rent Charges

Proposal: To provide for the cost of GSA Space Rent charges.

Rationale: To provide for increases in the GSA rent charges in excess of the estimated increases in the Federal construction deflator.

Program Effect: The additional resources will allow BLS to pay the FY 1987 Space Rent charges assessed by GSA.

Base:
FTE: 90 Estimate: $4,829,000

Program Increase:
FTE: 0 Estimate: +$ 63,000

ECONOMIC GROWTH AND EMPLOYMENT PROJECTIONS

1985 Comparable		1986 Appropriation		1986 Estimate		1987 Estimate		Increase or Decrease	
FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
52	$3,083,000	52	$3,205,000	52	$3,059,000	46	$3,035,000	-6	-$24,000

Introduction

Within a comprehensive and integrated analytical framework, this program projects economic growth for 5 to 15 years ahead and assesses the effects of different assumptions about the economy, such as fiscal policy measures and technological change on output and industrial and occupational employment. Since this work is scheduled on a two-year cycle, the projections are published biennially for 160 different industrial sectors, which comprise the total economy. An industrial-occupational matrix is developed and used to project occupational employment by industry, to estimate the effect on current employment of specified changes in economic conditions, and to prepare special analyses of employment by industry and occupation in areas of national concern such as national defense and health care. Career guidance information is prepared and published biennially in the Occupational Outlook Handbook, quarterly in the Occupational Outlook Quarterly, and irregularly in other special reports.

FY 1987 Budget Request

Labor force and industrial and occupational employment projections to the year 2000 will be developed for publication in FY 1988. In line with the Bureau's effort to expand its coverage of the service sector of the economy, analyses of the structure of employment in selected, rapidly growing, service sector industries will be conducted; the 1988-89 edition of the Occupational Outlook Handbook will be completed for publication in FY 1988; and four issues of the Occupational Outlook Quarterly will be published. The Bureau will eliminate--over the two-year cycle of these activities--work on macro-economic modelling and reduce the level of detail of the projections that underlie the Occupational Outlook Handbook.

Workload/Output Measures	FY 1985 Actual	FY 1986 Estimate	FY 1987 Proposal
Occupational Outlook Handbook Statements (2-year cycle).....	100	100	90
Analytical Occupational Outlook Reports.....	1	1	1
National Industrial-Occupational Matrices.....	5	5	2
Occupational Outlook Quarterly (issues)	4	4	4
Economic and Employment Projections Industries (2-year cycle).....	80	80	70
Employment Impact Publications.....	5	4 1/	2
Service Sector Studies.....	2	1 1/	2

1/ Reduction reflects the impact of P.L. 99-177.

BLS-38

FY 1986

To respond to the requirements of P.L. 99-177, the Bureau will defer a major study on the impact of changes in defense expenditures on employment and occupations, reduce further developmental work on projections, and delay work on one study of the service sector.

Assuming that the Gramm-Rudman-Hollings changes delineated above produce the required savings regular production activities will be carried out.

Labor force and industrial and occupational employment projections under alternative assumptions will be published. The 1986-87 edition of the Occupational Outlook Handbook and the 1986 bulletin, Occupational Projections and Training Data, will be published. Work will begin on the next editions of each. Work will also begin on projections of the labor force and industrial and occupational employment to the year 2000. Special studies of factors contributing to the rapid growth of employment in selected service sector industries will be conducted, including business services. Studies of temporary help and health services industries will be completed and published. Four special analyses of the employment impact in areas of national concern will be completed. Four issues of the Occupational Outlook Quarterly will be published.

FY 1985

The labor force and industrial and occupational employment projections to 1995 were revised. The 1986-87 edition of the Occupational Outlook Handbook was also completed. Analyses of changes in industry employment in health services and temporary help supply services were initiated. Four issues of the Occupational Outlook Quarterly were published.

Changes for 1987

Activity Changes:	
Built-in:	
Net cost of within-grade promotions and merit pay increases effective in 1987	$ 45,000
Increased costs of GSA space rent	16,000
Increased costs of contractual services	7,000
Increased costs related to administrative and support services provided by the Department of Labor	6,000
Increased costs of printing	4,000
Increased costs in travel	1,000
Increased cost of equipment	2,000
Total Built-in	+$ 81,000
Net Program	-$105,000
FTE	- 6

Space Rent Charges

Proposal: To provide for the cost of GSA Space Rent charges.

Rationale: To provide for increases in the GSA rent charges in excess of the estimated increases in the Federal construction deflator.

Program Effect: The additional resources will allow BLS to pay the FY 1987 Space Rent charges assessed by GSA.

Base:
FTE: 52 — Estimate: $3,140,000

Program Increase:
FTE: 0 — Estimate: +$ 39,000

Program Increase

Proposal: To provide for costs necessary for a service sector study.

Rationale: Funds are requested to finance important work in this Activity.

Program Effects: Work will resume on one study of the service sector.

Base:
FTE: 52 Estimate: $3,140,000

Program Increase:
FTE: 0 Estimate: +$ 138,000

Reduction in FTE Related to Productivity Improvements

Proposal: To reduce dollars and positions in FY 1987, in keeping with the President's productivity improvement plan.

Rationale: To reflect improvements in productivity that result from increased effectiveness of program operations including the expanded use of micro-computers.

Program Effect: Specific effects to be achieved will be identified during the course of FY 1986.

Base:
FTE: 52 Estimate: $3,140,000

Program Decrease:
FTE: -1 Estimate: -$ 32,000

Elimination of Work on the Economic Growth Model and Related Activities

Proposal: To eliminate--over a two-year cycle, FY 1987 and FY 1988--work on the economic growth model and related activities:

To reduce coverage of occupations included in the Occupational Outlook Handbook scheduled for publication in FY 1988.

Rationale: A decrease in this lower priority program will help offset increases essential for higher priority BLS programs.

Program Effect: The Bureau will rely on outside modeling sources and eliminate in-house macromodeling and reduce analytical work.

The reduction will also force a cutback in model detail and related analyses used to produce the projections that underlie the Occupational Outlook Handbook. As a consequence, the scope the Occupational Outlook Handbook's coverage of occupations in the U.S. economy that are available will be reduced.

Base:
FTE: 52 Estimate: $3,140,000

Program Decrease:
FTE: -5 Estimate: -$ 250,000

BLS-40

EXECUTIVE DIRECTION AND STAFF SERVICES

1985 Comparable		1985 Appropriation		1986 Estimate		1987 Estimate		Increase or Decrease	
FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
244	$13,894,000	205	$13,171,000	201	$12,851,000	205	$14,463,000	+4	+$1,612,000

Introduction

This activity provides for agency-wide policy and management direction as well as technical, administracive, and publication support services necessary to carry out BLS programs on a timely and cost-effective basis. The organizational units included in this activity are: The Office of the Commissioner, which provides overall policy direction of the agency; the Office of Administration and Internal Operations, which provides overall management direction of the agency, as well as support services in the areas of budget, personnel, management systems, administrative services and data processing systems and standards; the Office of Research and Evaluation, which is responsible for technical review and standards in the areas of economic concepts, analyses, and survey design; the Office of Field Operations, which manages the regional offices through which BLS data collection and information distribution activities are carried out and the Bureau's program-related and international training; and the Office of Publications, which sets information and publications standards and edits and disseminates national office output.

FY 1987

If additional resources are forthcoming as requested, new internal safeguards to protect the security of the Consumer Price Index (CPI) against premature disclosure will be introduced as described in detail in the narrative at the end of this Activity.

Overall policy and management of the agency programs and regional activities will continue, as follows:

Administration Management and Internal Operations: Management direction and support services--personnel, budget, survey processing, systems development, and other management services--will be provided on a timely basis. Special attention will be directed to the phase-out of BLS programs, as proposed in the FY 1987 budget, to assure the least disruption to programs and uncertainty for staff members.

Research and Evaluation will concentrate on sample design research, and assistance on quality improvements for major indicators, and implementation of procedures to link data among labor market surveys. The new fellows program being conducted jointly with the American Statistical Association will be implemented.

Field Operations: The national office staff will provide management direction, coordination, and liaison with regional offices. Final implementation of the new communications network designed to link the field and national offices will be completed. Training courses and seminars will be developed and presented for program-related training. Regional office supervisory staff will (1) provide direction and supervision to data collection activities; (2) set up and monitor data collection schedules; and (3) assist in the resolution of collection problems. The field information staff will provide information and advice to users of BLS products.

Publications and Information will continue to expand the use of computer systems software packages for graphic presentations and to update publications standards for charts. Press releases on major economic indicators and other BLS publications will be prepared and released.

FY 1986

To respond to the requirements of P.L. 99-177, this Activity will freeze hiring and reduce support activities, such as travel, ADP support, and equipment purchase and rental, as required to adjust to the lower level of resources. Effort will be made to minimize the adverse effects on the efficiency of Bureau-wide operations, because of the reduced capacity to provide administrative support functions to organizations responsible for the production of the Bureau's series.

Assuming that the Gramm-Rudman-Hollings changes delineated above produce the required savings, overall policy and management direction of agency programs and regional activities will continue.

Work will continue, where possible, on the implemention of the new local area telecommunications network, recently approved by the Congress; and to comply with the Administration's initiative to centralize administrative services, the following actions will be under way:

* a review of the possible consolidation of some accounting and procurement services into the National Capital Region;

* a reduction of staff working on inquiries, correspondence, and information services in both the national and regional offices;

* a reduction in automatic data processing training staff and selected software support functions; and

* the elimination of staff working on several other administrative support functions.

FY 1985

In accordance with the requirements of Section 2901 of the Deficit Reduction Act of 1984, reductions were made in the allocation for printing. Many BLS publications were reduced or eliminated, including a substantial reduction in local area and regional publications and analyses, and other national office publications.

Overall policy and management direction of the agency including regional activities continued.

Changes for 1987

Activity Changes:	
Built-in:	
Net cost of within-grade promotions and merit pay increases effective in 1987	$190,000
Increased costs of GSA space rent	60,000
Increased costs of contractual services	139,000
Increased costs related to administrative and support services provided by the Department of Labor	54,000
Funding for benefits paid to former employees	88,000
Increased costs of printing	10,000
Increased costs in travel	5,000
Funding for legislated cost increase of permanent change of station moves	85,000
Increased cost of equipment	34,000
Total Built-in	+$665,000
Net Program	+$947,000
FTE	+ 4

BLS-42

Program Increase

Proposal: To provide for costs necessary for BLS administrative support services.

Rationale: Funds are requested to finance important work in this activity.

Program Effects: Support programs will resume operating at normal production levels.

Base:
FTE: 201 Estimate: $13,516,000

Program Increase:
FTE: +0 Estimate: +$ 566,000

Security of the Consumer Price Index Operations in this Activity

Proposal: The Bureau proposes to tighten its internal security measures for operations that are part of this Activity with particular emphasis on preventing premature or inadvertent disclosure of CPI data given the recent creation of a CPI futures market:

- Tightening Internal Safeguards in building sites other than the Bicentennial Building including further strengthening of guard services, securing other housekeeping functions, monitoring contractors' security practices more carefully than is now the practice, as well as monitoring employee compliance with security policy and regulations. And,

- Conducting Security Investigations of personnel other than those in this Activity who have sensitive positions related to the CPI as well as other computer-related positions. The Office of Personnel Management's regulations have long required that each position in a program, such as the CPI, be assigned a sensitivity designation commensurate with the responsibilities and other attributes of the program and the position. In the past--because the threat potential did not seem acute enough to justify the resource requirements of lengthy and costly investigations--the Bureau has only required security investigations of its SES personnel and certain selected positions, including those involving BLS financial activities. In anticipation of the sale of CPI futures, however, the Bureau has determined that selected sensitive positions should have security investigations. These investigations, which will be conducted by the Office of Personnel Management will begin in FY 1987, if this proposal is approved.

Rationale: For the first time, advance information about the change in the CPI could result in large personal gain. The production and publication environment of the CPI, therefore, must be made more secure than it presently is to protect the index against premature disclosure that might yield unfair advantage to traders of the CPI on the futures' market.

Program Effects: With these new measures, the CPI should be better protected against unauthorized release.

Base:
FTE: 0 Estimate: $ 0

Program Increase:
FTE: 0 Estimate: +$225,000

BLS-43

Space Rent Charges

Proposal: To provide for the cost of GSA Space Rent charges.

Rationale: To provide for increases in the GSA Rent charges in excess of the estimated increases in the Federal Construction deflator.

Program Effect: The additional resources will allow BLS to pay the FY 1987 Space Rent charges assessed by GSA.

Base:
FTE: 205 — **Estimate:** $13,516,000

Program Increase:
FTE: 0 — **Estimate:** +$ 156,000

BLS-44

REVISION OF THE CONSUMER PRICE INDEX

1985 Comparable		1986 Appropriation		1986 Estimate		1987 Estimate		Increase or Decrease	
FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
199	$9,696,000	266	$13,258,000	252	$12,616,000	189	$11,055,000	-63	-$1,561,000

Introduction

The Consumer Price Index (CPI) program is the principal source of information concerning trends in consumer prices in the United States and is one of the Nation's most important economic indicators. The measure is used extensively for economic analysis and policy formulation in both the public and private sectors as well as to escalate contract costs among individuals and organizations. The CPI also has a significant impact on the finances of the Federal Government because it is used in the direct indexation of more than one-third of Federal expenditures. In addition, personal income tax brackets and exemptions are adjusted for changes in the CPI. Every 1 percent increase in the CPI generates $2.6 billion in additional federal expenditures and reduces taxes by $1.6 billion--a net $4.6 billion fiscal effect. It is essential, therefore, that the accuracy of the index and its relevance to current economic conditions be maintained. A separate budget activity has been set up to manage CPI Revision activities that are independent of the regular production of the monthly measures.

The CPI needs to be revised about every 10 years, primarily to take account of changes in population and consumer buying habits that occur over time. Since the last revision was begun more than 10 years ago, there have been shifts in population, changes in consumer purchasing habits, advances in the technology and concepts of index construction, and significant increases in the demand for CPI data. Because of the importance of the CPI to both the public and private sectors of the economy, the BLS places a high priority on incorporating these changes in the index.

The plans implemented in 1984, when resources were first made available, are proceeding on schedule. This will lead to the publication of a revised index for January 1987, although some revision activity will not be completed until 1988. In general, the work on this revision can be described in five broad areas.

New CPI Market Basket: The expenditure patterns used in the CPI currently refer to 1972-73. These expenditure patterns will be updated to the 1982-84 period based on data from the Consumer Expenditure Survey. This activity will incorporate such changes in consumer spending as the shift to more fuel efficient automobiles and other changes in energy consumption that have taken place since 1972-73.

1980 Census of Population: The sample of geographic areas on which the index is based will be reselected to reflect the population shifts that have taken place since 1970. These changes will be made in the CPI itself and in its required support surveys, the Point-of-Purchase Survey and the Consumer Expenditure Survey.

Improved Measures of Price Change, especially Homeownership and Rental Costs: The recent change which introduced the rental equivalence method of measuring price change in the homeownership component of the CPI represents a major improvement. However, this was an interim step in an existing survey; the methodology needs to be incoporated into the design of the revised CPI. To accomplish this, the housing sample is being redesigned using 1980 Census data, and, based on analysis of the current rental equivalency information, an improved statistical estimator of rental equivalence is being developed. Other pricing improvements are being made for both new and current items, which will include sampling, data collection, and quality adjustment procedures.

Modernization of the Computer System: The computer system used to calculate the CPI cannot be used to calculate the revised index because of the old system's age and changes in the new index. A new computer system is being developed to provide more reliable computer processing capabilities. It is also expected to result in significant future cost avoidance in data entry made possible by recent advances in data processing.

Error Measurement and Quality Control: Every statistic is subject to both sampling and nonsampling error. BLS will calculate CPI variances so that index users can incorporate measures of sampling error into their analyses and BLS will use them for applications in improving CPI sampling methods. To evaluate and reduce further the nonsampling error associated with data collection, review and processing, the BLS will implement an improved quality measurement and control system. Estimates of nonsampling error in at least some elements of the survey will be published.

FY 1987 Budget Request

Regular publication of a revised Consumer Price Index will begin with the release of the data for January. The revised index (1) will incorporate new market basket expenditure weights, (2) include 14 of the 28 new local areas to be included in the area geographic sample, recently reduced below original plan as described in FY 1986 narrative below on effect of P. L. 99-177 reductions, (3) add about 20 new item price indexes, (4) better estimate housing costs based on the 1980 Census and improved techniques, and (5) include improved pricing methods for a number of items. More detailed descriptions follow by major revision activity.

Revised CPI Sample: Fourteen new local areas will be introduced in the index based on the new geographic sample. Data collection will begin in another 10 new areas, with 8 scheduled to be introduced by the end of the year. The new item sample design will be introduced, resulting in about 20 new item indexes. The Bureau of the Census will conduct the Point-of-Purchase Survey for 20 local areas including those needed to complete the implementation of the new geographic sample. Introduction of these areas into the CPI will be completed in 1988.

Improved Measures of Price Change: The new housing survey sample, procedures, and estimation methods will be used to calculate the revised index for January. Improved pricing methods will be used in such areas as apparel, health insurance, and seasonal items. Redesigned collection forms will be used for all items. Work will proceed for January 1988 implementation of other improvements such as adjustments for aging in the housing stock, better measurement of used car prices and better quality adjustment procedures.

Modernization of the Computer System: The major portion of work in developing a new computer system to process the revised CPI will be completed. Some work will carry over into 1988.

Error Measurement and Quality Control: The first CPI variances will be estimated. Information from the quality control program developed for the revised CPI will be used to evaluate data collection methods, especially for the new housing survey.

FY 1986

To respond to the requirements of P.L. 99-177, this Activity will reduce the city sample size from the 91 areas originally planned for the revised CPI to 77 areas; prices collected will be reduced accordingly, and the quality control program will also be scaled back. This reduction will eliminate the planned 22 percent improvement in the variance of the revised CPI and prevent bi-monthly publication of 3 city indexes as well as 2 region-size indexes. Improvements in sample design will enable the production of a national CPI with approximately the same sampling error as the current index, but it will increase the probability that there will be misallocations in the escalation applications of the CPI outlined above. For example, the statistical uncertainty surrounding the fiscal effects of the CPI at current levels of inflation would be $100 million larger than it would have been with the planned sample size. Reduction in quality control will result in an unmeasurable increase in non-sampling error and run counter to a specific GAO recommendation to enhance quality control.

To meet these required reductions, the Bureau will begin the process of terminating operations in 14 CPI pricing areas, including transfer and dismissal of temporary staff.

Major revision activities still underway include:

Revised CPI Sample: Expenditure weights based on recently collected Consumer Expenditure Survey (CES) data are being calculated to reflect changes in consumer expenditure patterns since the last survey in 1972-1973. Data collection for items other than shelter will be initiated in May for the first set of new cities in the revised geographic sample for the CPI, and data collection for the CES has begun in the revised geographic areas.

Improved Measures of Price Change: Data collection for the new housing survey, including a comprehensive quality assurance program, is continuing. Pricing will be initiated for some previously unpriced items and the first set of improved price collection methods will be introduced.

BLS-46

Modernization of the Computer System: Implementation of the new computer system is proceeding so that the revised index can be published on schedule. Major components to be completed include those for processing housing, commodities, and services data.

Error Measurement and Quality Control: A computer system has been designed for calculating variances, and a new quality assurance program will be implemented for the collection of commodities and services data.

FY 1985

Work proceeded on schedule to lead to the publication of a revised index for January 1987 and to complete the revision process in 1988.

Changes for 1987

Activity Changes:	$	FTE
Built-in:		
Net cost of within-grade promotions and merit pay increases effective in 1987	104,000	
Increased costs of GSA space rent	57,000	
Increased costs of contractual services	32,000	
Increased costs related to administrative and support services provided by the Department of Labor	30,000	
Increased costs of printing	4,000	
Increased costs in travel	12,000	
Increased cost of equipment	14,000	
Planned decrease in resources for CPI Revision	- 2,146,000	-64
Total Built-in	-$1,895,000	-64
Net Program	+$ 332	
FTE	+ 1	

Reduction in FTE Related to Productivity Improvements

Proposal: To reduce dollars and positions in FY 1987, in keeping with the President's productivity improvement plan.

Rationale: To reflect improvements in productivity that result from increased effectiveness of program operations.

Program Effect: Specific effects to be achieved will be identified during the course of FY 1986.

Base:
FTE: 252 Estimate: $10,723,000

Program Decrease:
FTE: -15 Estimate: -$ 380,000

Program Increase

Proposal: To provide for costs necessary to improve pricing in the Consumer Price Index.

Rationale: These amounts must be added to begin to bring program to its previous plan.

Program Effects: The BLS will begin the long term effort to improve pricing in the revised CPI.

Base:
FTE: 252 Estimate: $10,723,000

Program Increase:
FTE: +14 Estimate: +$ 570,000

Space Rent Charges

Proposal: To provide for the cost of GSA Space Rent charges.

Rationale: To provide for increases in the GSA Rent charges in excess of the estimated increases in the Federal Construction deflator.

Program Effect: The additional resources will allow BLS to pay the FY 1987 Space Rent charges assessed by GSA.

Base:
FTE: 252 Estimate: $10,723,000

Program Increase:
FTE: 0 Estimate: +$ 142,000

BLS-47

LIST OF NEW POSITIONS REQUESTED

	1987		
	Grade	Number	Annual Salary
Activity 3: Wages and Industrial Relations			
National Office			
Economist	GS-12	6	$ 189,714
Mathematical Statistician	GS-11	2	52,762
Systems Analyst	GS-12	1	31,619
Systems Analyst	GS-11	1	26,381
Supervisory Statistical Assistant	GS-11	1	26,381
Statistical Assistant	GS-11	1	26,381
Program Analyst	GS-11	1	26,381
Management Analyst	GS-11	1	26,381
Sub-Total		14	$ 406,000
Regional Office:			
Supervisory Economist	GS-11	6	158,286
Economist	GS-11	20	527,620
Statisticial Clerk	GS- 5	6	86,340
Sub-Total		32	$ 772,246
Total, New Positions		46	$1,178,246

BLS-49

ADVISORY AND ASSISTANCE SERVICES
BUREAU OF LABOR STATISTICS
SALARIES AND EXPENSES

Type	FY86	FY87
Advisory and Assistance Services...	$18,000	$18,000
Personnel Appointments:		
a. Consultants and Experts....	---	---
b. Advisory Commission Members	---	---
Total.....	$18,000	$18,000
Withdrawn from Obligation under Section 515, Treasury-Postal Service Appropriations Act, 1986. (Referenced in P.L. 99-190)....	-2,000	---
Revised Total.....	$16,000	$18,000

Justification of FY 1987 Request

Prices and Cost of Living ($18,000):

To contract for expertise in Consumer Price Index data capture and processing.

STANDARD FORM 300
July 1964, Bureau of the Budget
Circular No. A-11, Revised.

3LS-49

DETAIL OF PERMANENT POSITIONS

Identification code	1985 actual	1986 estimate	1987 estimate
Executive level I	-	-	-
Executive level II	-	-	-
Executive level III	-	-	-
Executive level IV	-	-	-
Executive level V	-	-	-
Subtotal	-	-	-
ES-6	1	1	1
ES-5	-	-	-
ES-4	8	9	9
ES-3	3	3	3
ES-2	3	3	3
ES-1	4	3	3
Subtotal	19	19	19
GS-18	-	-	-
GS-17	-	-	-
GS-16	-	-	-
GS/GM-15	63	64	63
GS/GM-14	146	148	143
GS/GM-13	286	290	281
GS-12	388	393	381
GS-11	367	372	360
GS-10	2	2	2
GS-9	183	185	179
GS-8	13	13	13
GS-7	256	259	250
GS-6	124	126	122
GS-5	224	227	220
GS-4	87	88	85
GS-3	36	36	34
GS-2	4	4	4
GS-1	-	-	-
Subtotal	2,179	2,207	2,137
Ungraded	3	3	3
Total Permanent Positions 1/	2,201	2,229	2,159
Unfilled Positions, end-of-year	195	84	72
Total permanent employment, end-of-year	2,006	2,145	2,087
1/ Reimbursable positions included above	(212)	(263)	(212)

THURSDAY, FEBRUARY 27, 1986.

MINE SAFETY AND HEALTH ADMINISTRATION

WITNESSES

DAVID A. ZEGEER, ASSISTANT SECRETARY FOR MINE SAFETY AND HEALTH

ROY L. BERNARD, ADMINISTRATOR, OFFICE OF METAL AND NONMETAL MINE SAFETY AND HEALTH

JOSEPH A. LAMONICA, ADMINISTRATOR, OFFICE OF COAL MINE SAFETY AND HEALTH

THOMAS J. SHEPICH, DEPUTY ASSISTANT SECRETARY FOR MINE SAFETY AND HEALTH

JOHN A. STOCKMAN, ACTING CHIEF, DIVISION OF BUDGET AND FINANCE, OFFICE OF ADMINISTRATION AND MANAGEMENT

MARY ANN WYRSCH, DIRECTOR, OFFICE OF BUDGET

INTRODUCTION OF WITNESSES

Mr. NATCHER. At this time, we take up the budget request for fiscal year 1987 for the Mine Safety and Health Administration.

We have before the committee Mr. David A. Zegeer, the Assistant Secretary for Mine Safety and Health. It is a pleasure to have you back before the committee, and before you start with your testimony, tell us who you have with you.

Mr. ZEGEER. Thank you, sir.

We are very pleased to be here, and I have on my right Mr. Thomas Shepich, Deputy Assistant Secretary; on his right is Mr. John Stockman, who is MSHA's Budget Director; and to his right Mary Ann Wyrsch, Budget Director for the Department of Labor.

On my left is Mr. Joseph Lamonica, Administrator for Coal; and on his left is Mr. Roy Bernard, who is the Administrator for Metal and Nonmetal.

OPENING STATEMENT

Mr. NATCHER. Thank you, Mr. Zegeer. We are glad to have all of you before the committee at this time, and we will be pleased to hear from you.

Mr. ZEGEER. Thank you, sir.

Mr. Chairman, I am pleased to appear before you to present the fiscal year 1987 appropriation request for the Mine Safety and Health Administration.

This request totals $156.48 million and 2,909 staff years to conduct mine safety and health activities. This is an increase of $11.756 million and 81 staff years from 1986.

Before we discuss MSHA's budget request, I would like to mention two of the Administration's initiatives which MSHA has incorporated into its mine safety and health programs.

First, I support the President's commitment to improve the efficiency of government and to reduce unnecessary burdens on industry as well as improve health and safety. This involves a comprehensive review of MSHA's policies and regulations.

In this regard, we will continue to prioritize our review of MSHA's regulations. The review involves all concerned mining industry parties: Labor, industry and others.

Second, I also support the Administration's philosophy of complementing enforcement activities with cooperative efforts by management, labor and government. The trend in the number of fatalities has continued to decline under this policy with calendar year 1985 having the fewest ever.

In my view, the Mine Safety and Health Administration can monitor mining activities to ensure their compliance with the law, and also assist in developing and conducting other activities which result in improved safety and health.

The agency should therefore continue to focus on the additional functions of technical and educational assistance, as well as conducting the mandatory activities required by the Mine Act.

I believe that the budget I have presented, which incorporates these two Administration policies will provide the necessary resources to protect the safety and health of the Nation's miners.

Mr. Chairman, that concludes my summary statement. I welcome this opportunity to respond to any questions you have.

[The statement and biography of Mr. Zegeer follow:]

Statement by David A. Zegeer
Assistant Secretary
Appropriations Subcommittee
Fiscal Year 1987 Budget Request
Mine Safety and Health Administration
Salaries and Expenses

Mr. Chairman and Members of the Subcommittee:

I am pleased to appear before you to present the fiscal year 1987 appropriation request for the Mine Safety and Health Administration. This request totals $156,480,000 and 2,909 staff years to conduct mine safety and health activities. This is an increase of $11,756,000 and 81 staff years from 1986. These increases are based in part on increased inspection and assistance activities and in part on mandatory cost increases.

Before we discuss MSHA's budget request for fiscal year 1987, I would like to briefly outline MSHA's role in mine safety and health and to discuss my philosophy of how best to execute those duties.

I fully support the Administration's philosophy of cooperative efforts by management, labor, and government. The trend in the number of mining fatalities has continued to decline under this policy with calendar year 1985 having the fewest ever. In my view, the Mine Safety and Health Administration can monitor mining activities to ensure their compliance with the law and also assist in developing and conducting other activities which result in improved safety and health. The Agency should therefore continue to focus on the additional functions of technical and educational assistance, as well as conducting the mandatory activities required by the Mine Act.

I support the President's commitment to improve the efficiency of Government and to reduce unnecessary burdens on industry as well as improve health and safety. In this regard we will continue to prioritize our review of MSHA's regulations.

Enforcement

A total of $110.3 million and 2,237 staff years is requested for enforcement activities in both coal and metal and nonmetal mines. This is an increase of $7.9 million and 63 staff years. This increase will provide for an additional 6,970 mine safety and health inspection events. The resources requested for 1987 will provide for an estimated 29,692 regular health and safety inspections. In addition to these inspections, the budget request includes 84,613 other follow-up inspections, investigations and education and training activities.

Assessments

A total of $1.8 million and 54 staff years is requested for the Assessments program for fiscal year 1987. This is an increase of $155 thousand and one staff year from 1986.

In both 1986 and 1987 the Assessments activity will continue to assess civil penalty cases, and to collect and account for all penalties paid.

Educational Policy and Development

A total of $11.7 million and 101 staff years is requested for Educational Policy and Development in fiscal year 1987. This is an increase of $557 thousand and three staff years from 1986. The Mine Academy will provide 40,000 student days of instruction in mine safety and health subjects in both 1986 and 1987. A total of $5.2 million is included for the State Grants program in 1987 for 46 participating states.

Technical Support

A total of $20.2 million and 342 staff years is requested for Technical Support activities in 1987. This is an increase of $2.6 million and 10 staff years from 1986.

The Technical Support activity will continue to provide direct support to MSHA's enforcement activities by making its technical expertise available to solve mining problems in order to further the health and safety of miners.

Program Administration

A total of $12.5 million and 175 staff years is requested for Program Administration, an increase of 4 staff years and $577 thousand from 1986. The Program Administration activity will provide policy direction and administrative support for MSHA's safety and health programs.

Conclusion

The resources requested in MSHA's 1987 budget will allow us to do our part in continuing the downward trend in injuries and fatalities in the Nation's mines.

Mr. Chairman, that concludes my prepared statement. I welcome this opportunity to respond to any questions you have.

Biographical Sketch

David A. Zegeer

Assistant Secretary

Mine Safety and Health Administration
Department of Labor

David A. Zegeer was confirmed as Assistant Secretary of Labor for Mine Safety and Health on November 18, 1983. Prior to his appointment, he operated a consulting business and served on the National Academy of Sciences' Committee on Underground Coal Mine Safety. He retired in 1977 as manager of Beth-Elkhorn Corporation, a subsidiary of Bethlehem Steel, for whom he worked for over twenty years. Prior to that he served in successively responsible positions with Consolidation Coal progressing from surveyor to assistant to the president.

Mr. Zegeer was born in Charleston, West Virginia. He received his bachelor's degree in mining engineering from the West Virginia University School of Mines in 1944, and spent two years in the U.S. Army Engineers.

Mr. Zegeer has been active in many industry and professional organizations including the Kentucky Mining Institute, the Kentucky Coal Association, the National Mine Rescue Association, the Mine Inspectors' Institute of America, the Coal Mining Institute of America, the American Mining Congress, the National Society of Professional Engineers, and the society of Mining Engineers (AIME). He is the author of numerous publications on mining.

In addition to awards from professional societies, Mr. Zegeer in 1976 received the Donald S. Kingery Award, given annually by MSHA to a member of industry for outstanding achievements in safety and health. In 1982, Mr. Zegeer received the Professional Award for Coal Mine Health, Safety and Research at the 13th Annual Institute on Coal Mining Health, Safety and Research, Virginia Polytechnic Institute and State University.

FATALITIES AND INJURIES

Mr. NATCHER. Thank you, Mr. Zegeer

As you just pointed out to the committee, the calendar year 1985 was a good year from the standpoint of the number of injuries and fatalities.

In comparison to 1984, as far as fatalities and injuries are concerned, what do we have now, just by way of a comparison?

Mr. ZEGEER. In 1985, there were 67 deaths in coal. The previous year we had 126, but one or two since then have been ruled as other than mine fatalities. The correct fatality count for 1984 is 124. The year prior to that, 1983, at that time, was the best year ever with 70, so this past year exceeded even the best previous year of 1983.

In metal and nonmetal mining, the same trend occurred. In 1985, there were 56 fatalities, which was less than the previous year, 1984 with 80 fatalities. The year before that, in 1983, there were 62, so both in coal and metal-nonmetal, we did have the lowest number of fatalities ever in the history of mining in this country.

GRAMM-RUDMAN RESTORATIONS

Mr. NATCHER. For fiscal year 1987, you are requesting $156.48 million, which as you have stated to the committee, is an increase of $11.756 million over the previous fiscal year.

How much of that increase represents simply a restoration of Gramm-Rudman reductions made in the fiscal year 1986?

Mr. ZEGEER. Mr. Stockman can cover that for the record. John, if you would please?

Mr. NATCHER. Go right ahead, Mr. Stockman.

Mr. STOCKMAN. Basically, we restored all of the Gramm-Rudman-Hollings dollar reduction in 1987, and the balance of the increases are for mandatory increases.

Mr. NATCHER. All right. If you will, supply for the record a listing of those Gramm-Rudman restorations.

[The information follows:]

Gramm-Rudman-Hollings restorations, fiscal year 1987

Activity	*Amount*
Coal Mine Safety and Health	$3,416,000
Metal and Nonmetal Safety and Health	1,316,000
Standards Development	40,000
Assessments	77,000
Educational Policy and Development	514,000
Technical Support	813,000
Program administration	529,000
Total	6,705,000

Mr. NATCHER. Which of the program increases shown on page 5 of the justifications are actually increases above the original 1986 appropriation?

Mr. ZEGEER. Under B in the programs?

Mr. NATCHER. Yes.

Mr. STOCKMAN. Most of those program increases, Mr. Chairman, are restoring the Gramm-Rudman-Hollings reductions in 1986.

IMPACT OF GRAMM-RUDMAN-HOLLINGS REDUCTIONS

Mr. NATCHER. The agency lost $6.522 million and 101 staff as a result of Gramm-Rudman cuts in 1986. Can you describe the impact of these cuts on your various activities?

Mr. ZEGEER. Yes, it did have an impact throughout the agency, and it would be very proper for Mr. Lamonica to highlight the impact on coal, and Mr. Bernard to highlight the impact on his group.

Mr. LAMONICA. For 1986, our regular inspection total will actually go up, because we have been taking some measures to increase our completion rate on mandatory four underground inspections and two surface inspections.

In other inspection activities where we use specialists to assist the mine operator in training matters, plan approval processes, and other types of visits, such as compliance follow-ups, there will be a reduction as a result of Gramm-Rudman-Hollings.

We conducted 76,235 events in 1985, and that will drop to 67,730 events in 1986. That is primarily where we are absorbing the Gramm-Rudman-Hollings impact.

Mr. BERNARD. Similar to what Mr. Lamonica said, we will perform our required mandatory regular inspections, and we will probably do less in the education and training area. We have reduced our PAR program to 25 mines, and we will do fewer compliance assistance visits in order to fulfill our regular inspection requirements.

Mr. NATCHER. Will it be necessary to furlough any of your employees?

Mr. ZEGEER. The current plan is if our management directives and better administrative control do not produce the results we anticipate, we could be faced with four furlough days. We are working towards accomplishing our mission with closer management and tighter control.

Mr. NATCHER. Mr. Zegeer, as you know, your 1986 budget, as revised downward by Gramm-Rudman, provides a total of $144,724,000, the lowest amount since fiscal year 1980.

Will the agency be able to fully carry out its assigned functions at that reduced level of funding?

Mr. ZEGEER. Yes, sir, we have reviewed all of our goals and objectives. We have a lot of programs that have been completed, for training and education, at the Academy.

We had a group of 30 supervisors that were trained for promotions where we needed them. That took six months, but is now behind us.

I would like to leave with you one of the programs we developed to work with the mining community on the real cause of accidents. This program is a summary of the fatal accidents that we experienced last year shown by an artist's drawings. We have a person at the Academy who draws these pictures, showing how an accident happened. These drawings are on slides available to the mining community and we have had about 3,000 requests for them so far.

It is the best way to reach the working people in the industry. Although the developmental stage is behind us, we are continuing the drawings into this current year. We and the mining community now will enjoy the benefits of them.

We have reorganized in several locations, to put our people where they can best serve, and frankly, I think an austerity program every now and then does us all some good.

We are going to live through this, and will continue the required work, in addition to the other things that we are doing to improve health and safety of the people in the mining industry.

INSPECTOR POSITIONS

Mr. NATCHER. In action on the 1986 appropriation bill, Congress added 90 inspector positions to your budget request, two-thirds of which were allocated to metal-nonmetal and one-third to coal.

Do these additional positions disappear completely under Gramm-Rudman?

Mr. ZEGEER. Joe, if you would take that, please?

Mr. NATCHER. Go right ahead, gentlemen. What about it?

Mr. LAMONICA. Sir, the 4.3 percent Gramm-Rudman cut, does wipe out the 90 additional positions.

The amount of money is the better thing to talk about, in that the 4.3 percent reduction amounts to a $6.5 million reduction in our budget. Along with the 90 positions, I believe we received some $2.8 million leaving a $3.7 million shortfall.

The efficiencies that Mr. Zegeer has already addressed is what we are aiming to make up, that additional $3.7 million shortfall.

Mr. ZEGEER. Mr. Bernard can possibly give you the impact that this might have on the metal-nonmetal group.

Mr. BERNARD. Mr. Chairman, I think Mr. Lamonica explained the monetary impact of this. Also, in metal, we think we will be able to make up this year the regular inspections deficiencies that we have talked about before.

GAO REPORT

Mr. NATCHER. As you gentlemen know, the General Accounting Office issued a management report on the Labor Department last October, in which they criticized your agency for failing to make the statutorily required number of inspections in the metal-nonmetal mines.

At this point in the record, we will insert the appropriate portion of the report.

[The information follows:]

BY THE COMPTROLLER GENERAL

Report To The Congress

OF THE UNITED STATES

Strong Leadership Needed To Improve Management At The Department Of Labor

This is one in a series of GAO reports evaluating management effectiveness at major cabinet-level departments and agencies. The last 5 years have been a period of significant change for the Department of Labor. Several of Labor's missions have been redefined or refocused, its budget and work force have been substantially reduced, and key constituent groups have questioned the effectiveness of some of its major programs.

Labor has taken several positive steps to address its management problems. However, Labor needs stronger leadership to more effectively address them and improve its performance and image. It also needs to strengthen management of its work force and financial operations.

Soon after taking office, Secretary Brock acted to address the management problems GAO identified and demonstrated the degree of commitment and support GAO believes is essential to improve Labor's management.

GAO/HRD-86-12
OCTOBER 21, 1985

	AVOID CRISES AND CREDIBILITY PROBLEMS THROUGH BETTER CONTROL
PROBLEMS	o MSHA noncompliance could affect miner health and safety. o Limited monitoring of pass-through funding could result in fraud and abuse and embarrassment. o Many managers believed audits, reviews, and evaluations were not always useful in resolving problems. o Department-wide decline in program evaluation activity.
RECOMMENDATIONS	o Improve data on mission attainment. o Better use FIA and other oversight processes to identify vulnerable areas and follow up. o Address program managers' negative perceptions regarding audits, reviews, and evaluations. o Reassess the emphasis given to the Department's program evaluation efforts.

SECTION 3: AVOID CRISES AND CREDIBILITY PROBLEMS THROUGH BETTER CONTROL

The Office of the Secretary has not always received sufficient data on performance; nor has it received, in our opinion, reliable information on the internal control weaknesses of the Department's programs under FIA. Most importantly, however, it has not always had an effective means for making sure that management systems are effective and people are held accountable for achieving desired results and adhering to departmental policies.

In addition to the steps we have already recommended, Labor needs to:

--Obtain better information on mission attainment for program activities, such as MSHA's mine inspections and the accuracy of UI payments.

--Make better use of the FIA process by ensuring that all program activities are covered and properly assessed for potential vulnerability and appropriate actions are taken if assessments show problems.

--Address program managers negative perceptions about the usefulness of audits, reviews, and evaluations in identifying and resolving problems and assess the need for increased emphasis on evaluation as a tool for helping to better control operations.

59-364 O - 86 - 10

ELIMINATE MSHA INSPECTION SHORTFALL

CHALLENGE: Conduct 18,000 mandatory surface mine inspections annually.

PROBLEMS:
- o Only about 60 percent of mandatory inspections done.
- o Insufficient field inspection staff.
- o Staffing imbalances among district offices.
- o Substantial inspector time spent on other activities.
- o Inadequate information system.

RECOMMENDATION:
- o Emphasize mandatory inspections, assess productivity, and improve information.

ELIMINATE MSHA INSPECTION SHORTFALL

Section 103(a) of the Federal Mine Safety and Health Act of 1977 places a requirement on MSHA to conduct health/safety inspections of surface and underground mines. This section of the act calls for at least four regular inspections annually of underground mines; it also calls for at least two regular inspections per year of surface mines. MSHA's inspection plans provide that seasonal or intermittent mines are to be inspected on a reduced basis. In addition to the requirement for regular inspections, there are other mandatory activities required by the 1977 act. These include accident investigations, hazard complaint inspections, discrimination complaint investigations, and gaseous mine inspections. In addition, MSHA has also implemented several special programs to meet the requirements or objectives in the act aimed at improving mine safety and health. These include compliance assistance visits to provide technical assistance to newly opened mines and safety program development at mines with high accident and injury levels.

MSHA data showed that the agency was not meeting the act's requirements for regular health/safety inspections. Although there is a problem in both coal[1] and metal/nonmetal mines, the more serious problem is in the metal/nonmetal mine program. MSHA data showed that in fiscal year 1984 there were 13,100 full- or part-time metal/nonmetal mines in operation. This total is made up of four types of mines, as shown in table 3.1.

Table 3.1

Types of Metal/Nonmetal Mines in Operation

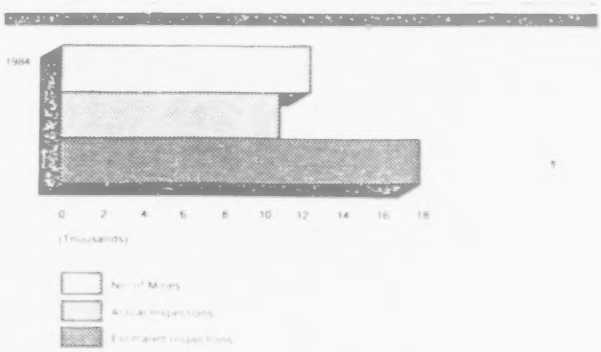
Mine type	Number of mines
Underground full-time	272
Underground part-time	330
Surface full-time	5,423
Surface part-time	7,075
Total	13,100

[1]For fiscal year 1984, the average coal underground mine was inspected 3.95 times; the average surface coal mine was inspected 1.80 times. Since there are small numbers of seasonal mines in these totals, the shortfall is not substantial.

In fiscal year 1984, the average number of inspections per metal/nonmetal underground mine (full- and part-time together) was 2.61. If all underground full-time mines were inspected four times a year, and part-time twice a year, the average should be 2.9. This reflects a 90-percent coverage of existing underground mines. The average number of inspections per surface metal/nonmetal mine in fiscal year 1984 was 0.87. According to MSHA plans, it should have been at least 1.4 per mine. This reflects only a 62-percent coverage of existing surface mines (although it covers about 90 percent of mine employees).

If each full-time surface mine were inspected twice a year according to the act, there should have been 10,846 regular inspections. If each part-time surface mine were inspected only once, according to MSHA policy, there would have been an additional 7,075 regular inspections, for a total of 17,921 regular inspections. However, MSHA data showed that only 10,823 regular inspections (or about 60.4 percent) of the required total had been performed during fiscal year 1984. (See figure 3.1.)

Figure 3.1: Metal/Nonmetal Surface Mines Actual and Estimated Required Inspections



In addition, our review indicates that a similar condition existed in calendar year 1983. Of more immediate concern, MSHA's 1985 plans called for the agency to conduct no inspections on 4,548 mines. Of the 5,504 surface full-time mines reported in MSHA's planning as of August 1984, MSHA planned to conduct the required two regular surface inspections on only 3,220 mines (a shortfall of 2,284 mines). MSHA agrees that there is a shortfall but that it will be less than the above number because the number of operating mines has been decreasing and because MSHA will give greater emphasis to regular inspections.

MSHA has instructed its managers to rank the safety and health conditions of all mines in their districts and schedule inspections in the most hazardous mines according to this ranking. Examples of situations in the three metal/nonmetal districts we visited follow:

--MSHA's Southeastern District conducted only 70 percent and 68 percent of the required regular surface inspections in fiscal years 1983 and 1984, respectively.

--The Western District conducted only 66 percent and 69 percent of the required regular surface inspections in fiscal years 1983 and 1984, respectively. For fiscal year 1985, the Alameda field office planned to inspect all 102 of its full-time surface mines at least twice, but did not plan any inspections for 73 of its 128 part-time surface mines.

--For fiscal year 1985, the South Central District's Dallas and Rolla subdistricts planned to inspect only 983 of 1,697 full-time metal/nonmetal surface mines in their areas twice as required by law.

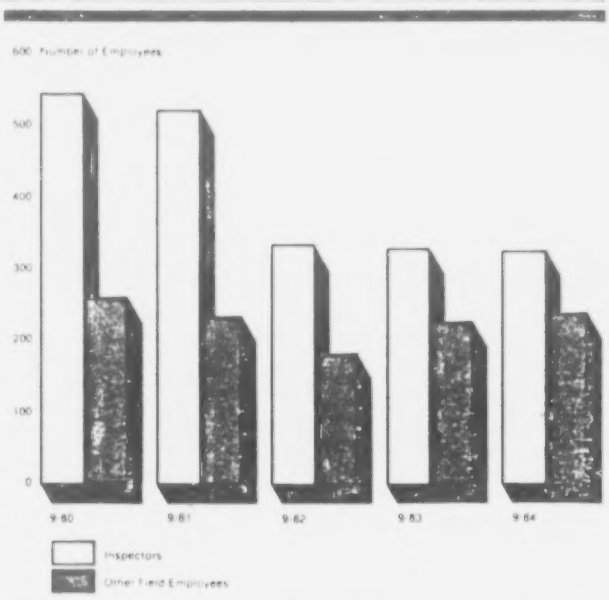
This shortfall may have affected the health and safety conditions in metal/nonmetal mines. We cannot quantify this impact in terms of projected fatalities and injuries. It appears, however, that MSHA would be missing a substantial number of violations annually by not inspecting mines as frequently as required or at all. MSHA has stated that because the noninspected or underinspected mines are generally smaller operations with below-average injury rates than those that are more frequently inspected, it is not likely that inspections of these mines would result in as high a ratio of violations per inspection as the mines that have been inspected.

Factors contributing to inspection shortfall

The shortfall in required regular inspections appears to result from several factors. These include a substantial reduction in the number of inspectors; the extent to which inspectors devote time to other types of inspections or activities; imbalances in geographic location of inspectors; limited emphasis given to conducting required regular inspections by MSHA; and the lack of a reporting system comparing the required, planned, and actual number of inspections. Each of these is briefly discussed below.

--From fiscal year 1980 to fiscal year 1984, the number of metal/nonmetal mines in operation dropped from 14,341 to 13,100, a 9-percent decrease, according to MSHA records. However, the number of inspectors during the same time period dropped from 541 to 323, a decrease of 40 percent, as shown in figure 3.2. Miner employment dropped from 303,085 to 218,036, a decrease of 28 percent, in the same period.

Figure 3.2 Metal/Nonmetal Field Employment Fiscal Year End 1980-1984



--Regular inspections for surface and underground mines in the same period decreased from 18,218 to 12,396, a decrease of 32 percent. The number of inspectors who are authorized to do regular inspections, as a percentage of total field employees, has also dropped (between fiscal year 1979 and fiscal year 1984 from 71.5 to 58.1 percent).

--In addition to regular inspections, MSHA inspectors perform other types of inspections and activities, reducing the time available for regular inspections. For example, in fiscal year 1984, MSHA data show that 17,274

other types of inspections were conducted. MSHA data also show that inspectors spend about 40 percent of their work time on regular inspections and the remainder on other types of inspections, training, etc. During fiscal year 1984, MSHA reported making 2,804 attempted inspections at mines that were not operating when inspectors arrived, but this situation has always been a factor for MSHA even when it was conducting substantially more regular inspections.

--The changing economy in metal/nonmetal mining has had a serious impact on inspection coverage. A decrease in metal/nonmetal activity in the west and southwest has greatly reduced the number of hours worked in mines in those districts. The head of MSHA's metal/nonmetal program told us that he saw a real need for a realignment of metal/nonmetal inspectors between districts and areas of the country.

--There has been only a limited emphasis by MSHA on ensuring that required mine inspections are conducted. Many district and subdistrict plans for fiscal years 1984 and 1985 called for less than required inspections to be conducted. Yet, many of these plans were approved by MSHA headquarters although they specifically planned for shortfalls. MSHA's planning system is based on the number of inspections and the time necessary to inspect rather than the required number of inspections. Further, MSHA does not hold its managers accountable for performing required inspections in their performance standards.

--MSHA has a reporting system which shows planned and actual inspections, but does not show the number of required inspections. Therefore, neither Labor's top officials nor others can easily compare the number of planned, actual, and required inspections. Further, MSHA has not been reporting the numbers of required inspections to the Congress. MSHA points out that these comparisons could be made by using data contained in different reports and materials. This is not as easy as MSHA portrays, however, because of assumptions that have to be made on required inspections for part-time mines.

MSHA's comments and proposed actions

In commenting on the inspection shortfall, MSHA officials stated:

--They made a deliberate decision to pursue regular inspections at those operations with the greatest potential for violations. In addition, they believe their

emphasis on more dangerous mines and their emphasis in certain areas, such as accident reduction, outweigh any possible adverse effects of the shortfall in regular inspections.

--They have agreed to reassess their reporting system, specifically looking at the need to reflect required inspections.

--They agree that a shortfall exists, but do not believe it will be as large as we projected for fiscal year 1985. After we brought this shortfall to MSHA's attention, it began to update its mines inventory and said that the number of operating mines in its inventory was overstated because many had closed since being listed. (As of July 1985, MSHA had not completed its update.) Further, they believe that it is not possible to develop a complete, accurate count of the number of mines because many mine operators do not comply with regulations requiring them to report openings and closings.

--MSHA stated that most uninspected mines were smaller (four or fewer employees), less hazardous, and operated intermittently for short periods or, in some instances, not at all during any given year. It is difficult to inspect these type of mines because MSHA cannot (by law) call ahead to see if the mine is operating, and it would take a substantial resource level to make continuous attempts to visit the mines when they were operating.

--MSHA has stated that it has attempted to reduce the inspection shortfall and meet legal requirements as evidenced by the more than 2,800 "attempted" inspections in 1984. While this is true, it is also true that average regular inspections per metal/nonmetal mine annually is down from 1.55 in fiscal year 1980 to 0.95 in fiscal year 1984.

Although MSHA has not emphasized compliance with the act's regular inspection frequency requirements, it has taken a number of actions to enhance mine safety. For example, it has targeted its inspection efforts toward the most hazardous mines and has incorporated expectations in many of its managers' individual performance standards aimed at reducing mining injuries and fatalities. In addition, the Assistant Secretary personally monitors reports of injuries and fatalities to identify causes and initiate corrective action, as appropriate.

MSHA officials believe that their actions have been a major factor in the 35-percent decrease in mine fatalities and injuries

since 1979. Although we do not take issue with this belief, we noted that the number of mine hours worked has declined substantially--32 percent--since 1979 and that this could also be a significant factor in improved mine safety. According to a United Mineworkers official, reduced mining activity contributed to improved safety rates because smaller, more dangerous mines were closed and less experienced, more accident-prone miners were let go.

MSHA officials believe that they can best use their resources by targeting their efforts on the most hazardous mines and that the inspection frequency required by the act is not the most efficient way to improve overall mine safety. In 1983 MSHA and Labor sought proposed legislation that would have given MSHA more flexibility on inspection frequency. This proposal was not adopted by the Congress, and MSHA and Labor have not sought such a legislative change since that time.

Recommendations to the Secretary of Labor

We discussed our findings on the MSHA inspection shortfall several times during the course of the review with MSHA officials. MSHA agreed to take a variety of steps to improve compliance. To ensure that appropriate corrective actions are taken, we recommend that the Secretary direct the Assistant Secretary for Mine Safety and Health to:

--Revise MSHA's information system to provide periodic reports showing the number of inspections required, planned, and performed during the year.

--Direct MSHA's field managers to give more emphasis to mandatory inspections.

--Identify ways to improve productivity (particularly that of the inspectors).

--Explore the feasibility of reallocating staff among district offices.

--Determine whether additional inspectors will be necessary to conduct the required number of inspections and if so, take appropriate steps to secure the additional number needed.

In addition, we recommend that the Secretary periodically track MSHA's progress and provide whatever support is necessary to enable MSHA to comply with the law. For the long term, the Secretary could consider again seeking legislation amending

section 103(a) of the Federal Mine Safety and Health Act to give MSHA more flexibility in determining the frequency of regular inspections based on such factors as injury and fatality rates, nature of mining operations, previous compliance status, and the number of miners employed.

Agency comments and our evaluation

Labor generally concurred with our recommendations and agreed to take actions which we believe are responsive to them. MSHA said it (1) is updating its mine inventory and improving its information system to show required, planned, and actual inspections, (2) would place more emphasis on mandatory inspections, (3) would study alternatives for improving productivity, and (4) plans to reallocate staff on a gradual and prudent basis as funds permit. Although MSHA believes the changes it is making and plans to make will enable it to carry out the required number of inspections, it agreed to assess its inspection program closely during fiscal year 1986 and to request additional inspectors if it believes they are needed.

MSHA believes our focus on required inspections is too narrow and that rigid compliance with the law's inspection requirements could adversely affect mine safety and health by curtailing other key inspection and safety programs it says have proven effective. We do not dispute the positive attributes of MSHA's multi-faceted approach to improving mine safety and health. In fact, we believe they would be quite reasonable in the absence of the law's current requirements. However, we do not believe that Labor should permit MSHA to disregard legislated minimum inspection requirements. As we suggest in our report, since Labor and MSHA believe that the law's inspection requirements are too rigid, they should seek an amendment to the law providing greater flexibility in this area.

Mr. NATCHER. We would like your agency to submit a written response to the issues raised in the report, and we will place that in the record.

[The information follows:]

ISSUES RAISED IN THE GAO REPORT

In response to issues raised and recommendations made by GAO and to ensure that inspections mandated by the Federal Mine Safety and Health Act of 1977 (Mine Act) are conducted fully, MSHA has completed or will carry out the following actions:

MSHA's management information system (MIS) is being updated to reflect a more accurate mine count and to provide improved reporting. Revised criteria for identifying and clarifying full time and intermittently operating mines have been developed and incorporated into the MSHA MIS system. Mine status and rank changes for each MSHA District are in the process of being cross-checked with the MIS.

MSHA goals for FY 1986 place clear and increased emphasis on completing mandatory inspections. Conducting mandatory inspections has been assigned high priority; progress will be monitored through both MSHA and DOL management systems.

MSHA is studying a variety of alternatives to improve productivity including a review of its field organization structure, closer monitoring of staff utilization, feasibility of reduction or efficiencies in paperwork, and means to reduce the number of attempted inspections that cannot be conducted.

MSHA has completed a study to determine staffing imbalances among District Offices in relation to workload and has begun to reallocate staff accordingly. Additional moves are planned on a prudent basis as well as reassignment of positions between Districts as vacancies occur.

CORRECTIVE ACTIONS

Mr. NATCHER. At this time, if you will, just summarize for us the actions that you have taken or plan to take in regards to the report, in response to the report.

Mr. ZEGEER. We reviewed the report in detail, and a lot of steps have been taken to address the concerns not only in metal, but also in coal. We have been involved in this audit of the General Accounting Office, and in fact, this week, we had another meeting with them. Let me allow Mr. Shepich to address your question on that concern.

Mr. NATCHER. Certainly.

Mr. SHEPICH. On receipt of the General Accounting Office report some months ago, we immediately made a quick review of the status of our inspection activities and learned indeed the shortfall talked about in the GAO report appeared to be a real shortfall in terms of the regular inspections.

We would note for the record that many, many additional inspections that are not counted as regular are made annually by the Agency.

However, in the face of the GAO recommendations, we have taken several management steps to overcome the problems cited and feel confident that as a result, we will be able to come very close to, if not exactly meeting all of the required inspections.

We have cleansed, if you will, our mine files, so that we found in our review that we had mines listed as active that indeed were either intermittent or closed entirely, and through a series of activities like that, I think approximately 3,000 fewer mining operations, most all in the sand and gravel and stone and mostly all the very small operations, were reclassified on our mine list.

We have also transferred several inspectors. I think it is a total of nine inspectors that have been transferred voluntarily, I might add, on their part. In addition, as inspectors have either retired or otherwise left MSHA, and areas where we had an overabundance of inspectors, we have not replaced them and we have hired new inspectors at understaffed locations.

In addition, our fiscal year 1987 request asks for funds to allow for the additional transfer of people to balance our work force.

The shift will be from areas in the West, where, as you know, the metal mining industry is at a very low employment at this time, to areas in the South and the East where the stone and sand and gravel industry is making a considerable comeback.

ADDITIONAL INSPECTOR STAFF

Mr. NATCHER. In the December 20 response to the GAO report, the Department indicated that it concurs with the GAO that additional inspector staff are required.

Can you give us some idea of how many additional staff are really required?

Mr. SHEPICH. Mr. Chairman, I think in characterizing the additional inspector staff, additional inspector staff dedicated to doing the regular mandatory inspections, would be the appropriate connotation; we have redirected our inspectorate with emphasis on completing the mandatory inspections.

Perhaps either Mr. Lamonica or Bernard could elaborate on that.

Mr. BERNARD. We did an evaluation of our workload, and we came up with it would take about 321 inspectors to do the required inspections. We redirected some of our staff who had been performing E&T activities, but also were authorized representatives, and put them back into the inspectorate, so really at this time, we have nearly the required number of inspectors to complete our regular inspections.

Mr. SHEPICH. Through the first quarter of fiscal year 1986, we have conducted approximately the projected number of inspections that would, throughout the balance of the year, allow us to conduct the required inspections in fiscal year 1986.

Mr. NATCHER. Have you requested additional staff for this purpose from the Department or OMB?

Mr. SHEPICH. No, sir, I don't believe we have.

RELOCATION OF INSPECTORS

Mr. NATCHER. The justifications on page 19 indicate that the relocation of inspectors to match the shift of mine locations is expected to be completed in fiscal year 1987.

However, the Department's December 20 response indicates that the relocation is not to be completed until October of 1988, which is a year later. Which date is correct?

Mr. ZEGEER. Even considering the present plan that Mr. Bernard has, plus what Mr. Lamonica is doing, I would say that the termination of that plan is not the end of it, because these things are going on continually.

For example, I received a letter from one of our inspectors in Hindman, Kentucky, wanting to return to his home in Michigan,

back to the metal-nonmetal group, and that is being given consideration.

We have two inspectors in Birmingham that want a relocation voluntarily. We get requests, as Mr. Bernard and Mr. Lamonica continuously do, but Mr. Bernard has a plan that moves nine or 10 from the West to where they are more needed in the East.

As far as a definite completion date, on the current plan, I would ask Mr. Bernard to answer that, but from my vantagepoint, reviewing our staffing balance will never cease. It will be a continuing thing to consider the welfare of the workers and where our needs are.

Roy, on this plan, do you have the completion date?

Mr. BERNARD. To complete the transfers we contemplated we requested monies in fiscal year 1987 to complete them in fiscal year 1987.

Mr. NATCHER. How many people do you plan to relocate?

Mr. LAMONICA. There are 10 moves in coal.

Mr. BERNARD. There are 20 in metal, but I believe because of retirements and resignations, it will not be actually that many. It will be closer to another 10.

Mr. SHEPICH. What Mr. Bernard is suggesting is that as someone retires in one location, we would hire back in the area where we need additional inspectors.

Mr. ZEGEER. That will save about $20 to $30,000 in relocation costs, and will prevent moving and uprooting families, which in some cases doesn't please the family.

AMENDING THE MINE ACT

Mr. NATCHER. A few years ago, the Department requested that the law be amended to reduce the number of statutorily required inspections in surface mines. This change was not made by the Congress.

Does your agency still believe that the law should be changed?

Mr. ZEGEER. On surface mine inspections, instead of the required two, it could be one or none or three. I think it makes sense to credit those who are doing a better job and those who have good programs. This would allow this Agency to put the attention on the operations that are not doing a good job and need help. These operations should be helped and watched very closely.

I think there should be some latitude in our enforcement activities so that we can better exercise managerial perogatives.

Mr. NATCHER. In the past, was the agency, in effect, ignoring the statutory inspection requirements and carrying out its own policy administratively?

Mr. ZEGEER. I would say no.

OTHER INSPECTIONS

Mr. NATCHER. On page 21 of the justifications, you show the number of metal-nonmetal regular inspections increasing from 1985 to 1986, but the category "other inspections" goes down considerably in 1986, and increases somewhat in 1987.

What is included in the other inspections category? What do we mean by "other inspections"?

Mr. BERNARD. Mr. Chairman, other inspections are compliance assistance visits, follow-up inspections, the PAR program, 103(i) inspections in our gassy mines, and a couple other categories.

Mr. NATCHER. What is primarily responsible for the large reduction in 1986?

Mr. BERNARD. Gramm-Rudman.

METAL AND NONMETAL INCREASE

Mr. NATCHER. On page 24, you request an increase for 1987 of $2,013,000 and five full-time equivalent staff for metal-nonmetal activities. What portion of the $2,013,000 is for direct support of the five staff?

Mr. SHEPICH. Mr. Chairman, may we provide that for the record?

Mr. NATCHER. You provide that, and tell us what purpose the remainder would be used for.

[The information follows:]

METAL AND NONMETAL PROGRAM INCREASE

Following is a breakdown of the requested program increase:

Salaries and benefits for staff	$200,000
Relocation of inspectors	697,000
Inspector equipment	268,000
Inspector travel	257,000
Other support costs	591,000
Total	2,013,000

INCREASE IN INSPECTIONS

Mr. NATCHER. The justifications indicate that 1800 inspections will result from the five additional staff, an average of 360 apiece. Is that correct?

Mr. SHEPICH. I don't believe so, Mr. Chairman. Overall, we are expecting a productivity increase in the general inspection area, and so the increase would be across all of the inspectors, and not just the increase of five additional staff.

Indeed, any inspector that would be required in the fiscal year 1987 probably would need considerable training, and would not be available for inspections until perhaps even fiscal year 1988.

COAL INSPECTORS

Mr. NATCHER. How many coal inspectors are currently on board?

Mr. ZEGEER. We currently have 776 coal inspectors.

Mr. NATCHER. How does that compare with a year ago?

Mr. LAMONICA. For fiscal year 1986, we estimate 750; for fiscal year 1985, a year ago, 876.

Mr. NATCHER. How many do you expect to have at the end of 1986, and at the end of 1987?

Mr. LAMONICA. In fiscal year 1986, we estimate 750; and in fiscal year 1987, 798.

METAL AND NONMETAL INSPECTORS

Mr. NATCHER. Give us the same number for metal-nonmetal inspectors.

Mr. ZEGEER. In fiscal year 1985, we had 312. For the current fiscal year, we estimate 279; and in fiscal year 1987 we will be up to 310.

NATIONAL MINE HEALTH AND SAFETY ACADEMY

Mr. NATCHER. The justification, on page 33, indicates that in 1985, about 40 percent of the training days at the National Academy represented utilization by other Federal agencies, States and local governments.

Why such a high percentage?

Mr. ZEGEER. Well, our Academy has been quite effective. It provides training for a lot of people in mining other than the MSHA people.

I guess it is because we have the facilities and the expertise that people need and want, and I won't say that we are just good, but it is a facility that you can't help but recognize as having a place in the industrial world.

Mr. SHEPICH. Mr. Chairman, as you know, the Academy is for a multiple of purposes, not only the training of MSHA inspectors and other MSHA personnel, but also for the training of coal industry personnel, such as union safety committee men and the like, from the industry.

We, for purposes of trying to keep the Academy used at its maximum, have, after the mining industry needs have been served, made the facility available for other Federal agencies.

If there is a conflict in the schedule or availability, the mining industry needs are served first.

Mr. NATCHER. Are you reimbursed by these other agencies, and if so, how much did you collect in 1985?

Mr. SHEPICH. We are reimbursed by the mining industry, and we will get the collection number for the record.

[The information follows:]

REIMBURSEMENTS FOR ACADEMY USE

MSHA is reimbursed by mining industry personnel and other groups that use the Academy. However, Federal agencies and state agencies receiving State Grants funds are not charged tuition or room and board fees. During fiscal year 1985, the Academy collected $52,681 in room and board fees and $17,403 in tuition fees.

BUDGET INCREASES

Mr. NATCHER. All right, for the record, provide analyses of increases requested for the following object classes: One, printing; two, other services; three, supplies; and four, equipment.

[The information follows:]

COST INCREASES

1. PRINTING AND REPRODUCTION

The increase for printing is primarily due to the increased costs of printing regulations. Also, increases are estimated in the Enforcement activity for the printing of manuals, inspection forms and the various other materials used by the inspectorate on a regular basis.

2. OTHER SERVICES

A major portion of the increase in other services is due to increased costs for the Working Capital Fund. The remainder represents increased charges for equipment maintenance, Academy and Dallas Pike contracts, ADP contracts, Mine Emergency operation contracts, tuition, services by other Government agencies and miscellaneous administrative support costs.

3. SUPPLIES AND MATERIALS

Most of the increase in supplies and materials is for the purchase of inspection, laboratory, data processing and other supplies, which were deferred in fiscal year 1986 due to the Gramm-Rudman-Hollings reduction. The remainder represents inflationary cost increases for supplies needed by MSHA.

4. EQUIPMENT

The increase for equipment is primarily due to MSHA's need to replace inspection equipment, motor vehicles and laboratory and field equipment. Much of this equipment was budgeted for in fiscal year 1986, but the Gramm-Rudman-Hollings reduction required MSHA to defer these equipment purchases.

Mr. NATCHER. Mr. Zegeer, we want to thank you and your associates for appearing before us at this time on behalf of your budget request. It has been a good hearing, and thank you very much.

[The following questions were submitted to be answered for the record:]

REQUIRED INSPECTIONS

Mr. Conte: Mr. Zegeer, as you know, the GAO's report on management at the Department of Labor discovered that your Agency failed both to plan and conduct the minimum number of required regular metal/nonmetal inspections in FY 1984. In addition, the report you made to the Senate Subcommittee showed that you still performed less than the statutory minimum of these inspections in FY 1985. Can you tell us first how you calculate the number of required inspections necessary in a given year for both coal and metal and nonmetal mines?

Mr. Zegeer: All underground coal mines are to receive four regular inspections a year, preferably one in each quarter. Mines which did not start operating until some time during the fiscal year are to receive regular inspections proportionate to the length of time they operated during the fiscal year. All surface coal mines are to receive two regular inspections a year, preferably one during each six-month period. Mines which did not start operating until some time during the fiscal year are to receive regular inspections proportionate to the length of time they operated during the fiscal year.

All metal and nonmetal mines are categorized by mine type, either underground or surface (surface operations further divided into open pit, quarry, sand and gravel, and mill), and further categorized as full time producing, intermittent, and non-producing.

--Full time producing underground mines are to receive four regular inspections a year, preferably one in each quarter. Mines which did not start operating until some time during the fiscal year are to receive regular inspections proportionate to the length of time they operated during the fiscal year.

--Full time producing surface mines are to receive two regular inspections a year, preferably one during each six-month period. Mines which did not start operating until some time during the fiscal year are to receive regular inspections proportionate to the length of time they operated during the fiscal year.

--The length of time that intermittent mines operate varies from mine to mine. However, on the average, intermittent underground mines are to receive two regular inspections a year and intermittent surface mines are to receive one regular inspection a year.

--Non-producing mines are to be inspected as warranted because of any unusual circumstances which may develop. We expect them to average two regular inspections for underground mines and one regular inspection a year for surface mines.

INSPECTION SHORTFALL

Mr. Conte: The GAO report showed that for FY 1984 MSHA fell more than 7,000 inspections short of the nearly 18,000 inspections required by the Mine Safety and Health Act. Is it simply a matter of funds that your agency fell about 40 percent short of its statutory mandate?

Mr. Zegeer: It was not simply a matter of funds that caused a shortfall in the metal and nonmetal inspection program.

The major reason that MSHA conducted only about 11,000 regular inspections at surface metal and nonmetal mines in FY 1984 was the equal emphasis that MSHA placed on other inspections and special compliance assistance programs. The Program in Accident Reduction (PAR) and the Compliance Assistance Visit (CAV) Program are the two major compliance assistance programs which have been successfully implemented in the metal and nonmetal mining industry.

Under PAR, special safety programs are developed and conducted by MSHA inspectors and training specialists for a limited number of mines which account for a significant percentage of the total accidents resulting in lost-work-day injuries and fatalities. The safety programs are designed to meet the needs of individual mines and are aimed at the promotion of safety consciousness of labor and management. Under CAV the mine operators may request compliance assistance for a new mine not yet producing or a seasonal or closed mine prior to reopening and for new facilities or equipment.

Other reasons for the shortfall in regular inspections included imbalances in inspector resources among districts, the large percentages of seasonally intermittent mines in the northern parts of the country which do not operate during the winter months, and the excessive amount of time spent by inspectors in unsuccessful attempts to inspect other intermittently operated mines.

An inaccurate mine count further explained the shortfall by distorting the actual number of required inspections.

MINES RECEIVING LESS THAN REQUIRED INSPECTIONS

Mr. Conte: Can you tell us how many mines received less than the required number of inspections in FY 1985?

Mr. Zegeer: In fiscal year 1985, 16 full-time active underground metal and nonmetal mines did not receive all the required inspections, which represented 6.5 percent of all the full-time active underground metal and nonmetal mines operating during the year, and 1,010 full-time active surface metal and nonmetal mines did not receive all the required inspections, representing 22.4 percent of all the full-time active surface metal and nonmetal mines operating during the fiscal year.

Over 53 percent of the metal and nonmetal mines operate on an intermittent basis. The operating period of these mines is irregular from year to year and ranges from a few days to several months during the year, mostly during the warm season. It is not possible to conduct inspections at all of these intermittent operations during any single year even in areas where adequate inspector resources are available. Since these mines probably operate on an average of considerably less than six months a year, MSHA's policy is to conduct an average of two inspections a year at intermittent undergound operations and one inspection a year at intermittent surface operations.

A total of 138 intermittent undergound metal and nonmetal mines were in operation at the end of fiscal year 1985 and 256 regular inspections were conducted at these mines during the fiscal year, representing an average of about 1.9 inspections per mine. A total of 5,964 intermittent surface metal and nonmetal mines were in operation and 5,313 regular inspections were conducted at these mines during the fiscal year, or an average of about 0.9 inspections per mine.

On a mine by mine basis, 31 of the intermittent underground operations received two inspections during the fiscal year, 43 received more than two inspections, 36 received only one inspection during the year, and 28 received no inspections. Of the 5,964 intermittent surface metal and nonmetal mines operating at the end of the fiscal year, 2,979 operations received one inspection, 1,092 received two or more inspections, and 1,893 received no inspections during the fiscal year.

REQUIRED INSPECTIONS UNDER GRAMM-RUDMAN

Mr. Conte: In your report to the Senate you indicated that you could perform all required inspections in FY 1986. Will that still be possible after the reductions under Gramm-Rudman are made?

Mr. Zegeer: Subject to the availability of the large number of seasonal and intermittent metal and nonmetal operations and staffing imbalances among the district offices, MSHA plans to complete all required inspections even after reductions under Gramm-Rudman are made. However, other inspections and assistance efforts will be curtailed.

ACHIEVING REQUIRED INSPECTIONS IN 1987

Mr. Conte: Looking at your justifications, you show an overall decrease in the number of Enforcement FTE's between FY 1985 and FY 1987 from 2,280 to 2,237. How do you propose to even reach the number of required inspections if your overall staffing is going down?

Mr. Zegeer: MSHA will be able to reach the required number of inspections with fewer staff in 1987 by relocating inspectors to correct imbalances between workload and staffing, by improving inspector productivity through the use of performance standards, and by maintaining accurate mine and inspection status reports for planning and evaluation purposes. These improvements will provide for the more efficient operation of MSHA's Enforcement program and the accomplishment of inspection goals in 1987.

Two lines left

INCENTIVES TO MEET INSPECTION GOALS

Mr. Conte: What kind of specific incentives do you give your district managers to meet the inspection goals?

Mr. Zegeer: Increased productivity is encouraged through performance measurement and performance standards. The completion of regular health and safety inspections is a critical standard for managers and a failure of this standard would be reflected in their performance rating.

However, the measure of MSHA's success is realized not only in terms of productivity but in the reduction of injuries and illness, a goal that all MSHA personnel strive to achieve.

RELOCATION OF INSPECTORS

Mr. Conte: Your justifications say that major shifts in the metal and nonmetal mining industry have forced you to relocate inspectors to other parts of the country. Is the procedure you use for moving inspectors mainly a voluntary one?

Mr. Zegeer: All relocations of inspectors to date have been carried out on a voluntary basis.

STAFFING IMBALANCES

Mr. Conte: Do imbalances still exist between the various regions, and which regions are the most under-staffed?

Mr. Zegeer: In the coal program, imbalances do still exist between the various regions with eastern Pennsylvania, eastern Kentucky, and the Western Region being the most understaffed.

Despite the transfer of inspectors, some imbalances still exist among MSHA's Metal and Nonmetal mine districts. The most understaffed is the Southeastern District and the most overstaffed is the Rocky Mountain District. Minor imbalances also exist among the other districts.

INSPECTIONS IN UNDERSTAFFED DISTRICTS

Mr. Conte: If the staffing imbalances remain in FY 1986 will you still be able to achieve all the required inspections in the under-staffed districts?

Mr. Zegeer: Voluntary transfers have reduced the staffing imbalance among metal and nonmetal mine districts significantly. However, as of early 1986, considerable imbalance still remains. MSHA will not be able to achieve all the required inspections of metal and nonmetal surface mines in the understaffed districts in fiscal year 1986. Funds have been included in the 1987 budget request to complete the relocations necessary to correct the imbalances.

While staffing imbalances have been less severe in the Coal program, there is some problem in understaffed offices. Through the implementation of some field reorganizations, we have achieved a better balance of our workforce and this should allow us to conduct all required inspections at active coal mines.

PAPERWORK REDUCTIONS

Mr. Conte: Moving to another area, Mr. Zegeer, your statement gives emphasis to MSHA's efforts to relieve the regulatory and paperwork burden on industry. How many regulations have been eliminated or significant paperwork reductions made in the last year?

Mr. Zegeer: In response to your question, I would first like to make it clear that the type of regulations that we seek to eliminate are those which do not promote the safety and health of miners. Such regulations include those which the passage of time and technological advances have made irrelevant or outdated as well as regulations that unnecessarily duplicate provisions in other regulations.

In January 1985, we recodified our metal/nonmetal standards and removed over 450 duplicate standards by consolidating the agency's surface mining standards into a single Part 56. In upcoming months, we plan to remove two regulations dealing with the approval of specific types of blasting devices and stemming devices. The devices addressed by these regulations have not been used in underground coal mines for over twenty years.

As stated in our Fiscal Year 1986 Information Collection Budget, and reported to this body through the Office of Management and Budget, we anticipated reducing our paperwork burden on industry by 1,412,344 hours during Fiscal Year 1985. We succeeded in eliminating 858,312 of these hours. The remaining 554,032 hours reduction will be realized when the final rule for our electrical standards is promulgated.

These reductions were accomplished by accepting certification of compliance for two specific regulations, 75.1107-16 and 55-57.4.25, in lieu of a record. The same concept is being applied in the development of the electrical standards.

TRAINING EXEMPTION

Mr. Conte: As you know, our bill has contained an exemption for sand, gravel, and surface stone mines for the last five years or so. Again this year you are asking us to drop this exemption. If we agreed to your request, why wouldn't that represent an unnecessary burden on industry?

Mr. Zegeer: MSHA agrees that it would be a burden but does not agree that it would be an unnecessary burden on industry. MSHA is convinced that the limited hours of required training would mean the reduction of countless accidents causing fatalities and serious injuries. Many of these operators recognize the value of training and submit training plans to MSHA voluntarily even though we cannot enforce the provisions.

SERIOUS PENALTY ASSESSMENTS

Mr. Conte: Under the Assessments activity, how many serious penalty assessments were made in 1985?

Mr. Zegeer: A total of 75,155 serious violations were assessed civil penalties in 1985.

OUTSTANDING CIVIL PENALTIES

Mr. Conte: How much is your agency owed currently by delinquent violators?

Mr. Zegeer: As of December 31, 1985, MSHA had outstanding accounts receivables of $7,059,201 for delinquent civil penalty accounts.

CIVIL PENALTY COLLECTIONS

Mr. Conte: What happens to the funds you collect, do they revert to the treasury?

Mr. Zegeer: Yes. The funds collected by MSHA and the commercial collection agency revert to the Treasury. Total collections in fiscal year 1985 exceeded $9 million.

COMMERCIAL COLLECTION AGENCY

Mr. Conte: Your justifications say that the commercial agency hired to help collect the debt owed you is paid out of the funds collected. How much do you expect them to collect in FY 1986, and how much will they be paid for their work?

Mr. Zegeer: In fiscal year 1986 MSHA estimates collections of $400,000 by the commercial collection agency. Of this amount, 20 percent or $80,000 would be retained by the commercial collection agency.

RECOVERY OF EQUIPMENT TESTING COSTS

Mr. Conte: Mr. Zegeer, as you probably know, your Agency was given one of Senator Proxmire's "Golden Fleece" awards last April for not collecting adequate costs from manufacturers for testing their mine equipment. What percentage of the cost of this testing is your agency required to recover from the manufacturers?

Mr. Zegeer: MSHA is required to recover 100 percent of the costs incurred in providing special services which benefit an individual manufacturer. MSHA will soon propose a rule to recover the costs associated with the evaluation, testing and approval of products where these services are furnished to individual beneficiaries.

UPDATING OF EQUIPMENT APPROVAL FEES

Mr. Conte: Have you recently updated the fees charged for testing this equipment?

Mr. Zegeer: No. However, MSHA is in the process of updating the fees charged for the testing and approval of mining equipment.

TESTING OF EQUIPMENT BY THE MANUFACTURER

Mr. Conte: I noticed in the justifications that one of the new regulations you are planning in FY 1987 is one that would allow the manufacturer to perform this testing himself according to the Agency's specifications. Don't you think this kind of procedure will compromise the safety of the equipment?

Mr. Zegeer: No. The proposed regulation would initiate a new role for the Agency in the evaluation and testing of products used in underground mines. Where the Agency's current role is one which emphasizes pre-marketing testing by MSHA, this proposal would require testing by the applicant or a third party according to test procedures specified by the Agency, and require certification of test results by the applicant. While the Agency would maintain approval authority prior to marketing, the approval would be based largely on the applicant's certification that the product has met MSHA-specified technical requirements, has been tested according to the test procedures, and that the applicant will perform the specified quality assurance functions to maintain the continued quality of the product.

Based on these certifications, MSHA's observance of product testing, and a review of the applicant's documentation, the Agency would issue the approval allowing the applicant to market the product as "MSHA-approved." The emphasis of the program would then be placed on the applicant's production of units under a quality assurance program and the Agency's audits of products to ensure that they have been manufactured as approved. The Agency believes that this shift in emphasis would expedite the approval of applications and give the mining community greater assurance that the products used in mines have been manufactured according to MSHA specifications.

Two lines left

UNSAFE OR DEFECTIVE EQUIPMENT

Mr. Conte: Under your present testing program, what percentage of the equipment is found to be unsafe or defective?

Mr. Zegeer: Under the present testing program, the percentage of equipment found to be unsafe or defective, i.e., test failures, varies and is product dependent. In general, the test failure rate of products that are presently tested ranges from 5 to 25 percent.

MINERS' COMPLAINTS

Mr. Conte: On average, Mr. Zegeer, how many complaints concerning safety or health do you receive from the miners themselves each year?

Mr. Zegeer: MSHA receives approximately 470 safety and health complaints from coal miners and 240 from metal and nonmetal miners each year.

FOLLOW-UP OF MINERS' COMPLAINTS

Mr. Conte: Are all of these complaints followed-up?

Mr. Zegeer: Yes, MSHA responds to all miner complaints.

GSA SPACE CHARGES

Mr. Conte: Just one final question. How is it that you are showing decreases in GSA charges for space and rental in the enforcement branch? We had the inspector general in here the other day and he said his charges were going up about 30 percent?

Mr. Zegeer: Even though the charges for space are increasing, MSHA is projecting an overall decrease in fiscal years 1986 and 1987, caused by the relinquishment of space. On a continuing basis MSHA is analyzing its current space holdings and releasing space wherever possible in order to contribute to the agency-wide goal of 135 square feet per person by fiscal year 1990.

MINE SAFETY AND HEALTH ADMINISTRATION

SALARIES AND EXPENSES

	Page No.
Appropriation language and explanation of language change	1
Analysis of appropriation language	2
Amounts available for obligation	3
Summary of changes	4
Budget authority by activity	6
Budget authority by object	7
Significant items in FY 1986 House and Senate Appropriations Committees reports	8
Authorizing legislation	9
Appropriation history	10
Justification:	
Appropriation	11
General statement	12
Activities:	
Enforcement:	
Coal	13
Metal/nonmetal	19
Standards development	25
Assessments	28
Educational policy and development	31
Technical support	35
Program administration	39
State tables	43
Advisory and assistance services	45
Detail of permanent positions	46

MINE SAFETY AND HEALTH ADMINISTRATION

SALARIES AND EXPENSES

For necessary expenses for the Mine Safety and Health Administration, [$151,679,000] *$156,480,000* including purchase and bestowal of certificates and trophies in connection with mine rescue and first-aid work, and the purchase of not to exceed [fifty-two] *eight* passenger motor vehicles for replacement only; the Secretary is authorized to accept lands, buildings, equipment, and other contributions from public and private sources and to prosecute projects in cooperation with other agencies, Federal, State, or private; the Mine Safety and Health Administration is authorized to promote health and safety education and training in the mining community through cooperative programs with States, industry, and safety associations; and any funds available to the Department may be used, with the approval of the Secretary, to provide for the costs of mine rescue and survival operations in the event of major disaster [: *Provided*, That none of the funds appropriated under this paragraph shall be obligated or expended to carry out section 115 of the Federal Mine Safety and Health Act of 1977 or to carry out that portion of section 104(g)(1) of such Act relating to the enforcement of any training requirements, with respect to shell dredging, or with respect to any sand, gravel, surface stone, surface clay, colloidal phosphate, or surface limestone mine]. 1/ *(30 U.S.C. 1-11, 801, 951 et seq., 960; 91 Stat. 1290-1322; 93 Stat. 111, 137; Department of Labor Appropriation Act, 1986.)*

Explanation of Language Change

1/ The Administration opposes the language excluding the mining operations from coverage under section 115 of the Act. The hazards faced by the types of mining operations included in this restriction are similar to and in many cases, identical to the hazards faced in other mining operations. Statistics show these mines are no safer than other metal and nonmetal mines. MSHA's legislative history indicates Congress was aware of these factors when the 1977 Act was passed and in view of this, we are proposing the deletion of the restriction.

MSHA-2

ANALYSIS OF APPROPRIATION LANGUAGE

Language Provision	
"...including purchase and bestowal of certificates and trophies in connection with mine rescue and first-aid work..."	This authority has been included in either the Bureau of Mines, Department of the Interior, the Mining Enforcement and Safety Administration's or the Department of Labor's appropriation authority since 1932 and allows the Secretary to further increase safety and health through the bestowal of trophies and certificates for accomplishments in the areas of mine rescue and first-aid work.
"...and any funds available to the Department may be used, with the approval of the Secretary, to provide for the costs of mine rescue and survival operations in the event of major disaster..."	In mine disasters Mine Safety and Health Administration (MSHA) provides staff, technical expertise, and specialized equipment in assisting rescue operations at mine sites. Funds are not specifically requested to cover the major costs associated with such assistance. This provision provides the Secretary authority to authorize the use of funds in the event the assistance costs exceed MSHA's funding capacity.

MSHA-1

AMOUNTS AVAILABLE FOR OBLIGATION

	1985		1986		1987	
	FTE	Amount	FTE	Amount	FTE	Amount
Appropriation....	2,984	$150,550,000	2,937	$151,679,000	2,909	$156,480,000
Sequestered under P.L. 99-177.....	-	-	-101	6,522,000	-	-
A. Revised Appropriation.....	2,984	150,550,000	2,836	145,157,000	2,909	156,480,000
Comparative transfer to: Departmental Management.....	-9	-425,000	-9	-431,000	-	-
Comparative transfer from: National Capital Service Center...	-	-	+1	-	-	-
Subtotal, appropriation (adjusted).....	2,975	150,125,000	2,828	144,726,000	2,909	156,480,000
Unobligated balance lapsing due to Section 515 withholdings 1/...	-	-	-	-2,000	-	-
B. Total Available Budget Authority.....	2,975	150,125,000	2,828	144,724,000	2,909	156,480,000
C. Total, estimated obligations...	2,975	150,125,000	2,828	144,724,000	2,909	156,480,000

1/ Withheld from obligation pursuant to Section 515 of the Treasury, Postal Service, and General Government Appropriations Act as referenced in the full year Continuing Resolution for 1986, P.L. 99-190.

MSHA-4

SUMMARY OF CHANGES

	1986	1987	Net Change
Estimated Obligations:			
General Funds.....	144,724,000	156,480,000	+11,756,000
Full-Time Permanent Positions:			
General Funds.....	2,828	2,909	+81

	General Funds FTE	General Funds Amount
Explanation of Change:		
Increases:		
A. Built-In:		
Net cost of within grade promotions effective in 1986..	--	+640,000
Net cost of within grade promotions effective in 1987..	--	+641,000
To provide for an increase in night differential.....	--	+219,000
To provide for an increase for terminal leave.....	--	+42,000
To provide for a merit pay fund contribution.....	--	+423,000
To provide for an increase in printing costs.....	--	+69,000
To provide for an increase in GSA motor vehicle rentals	--	+148,000
To provide for increased costs of program related travel	--	+35,000
To provide for an increase in administrative support costs	--	+76,000
To provide for an increase in rental payments to others	--	+34,000
To provide for an increase in utility costs.....	--	+4,000
To provide for increases in the Mine Emergency operation contracts.....	--	+66,000
To provide for an increase in repairs and maintenance of equipment.....	--	+109,000
To provide for an increase in tuition fees.....	--	+23,000
To provide for an increase in Dallas Pike service contracts	--	+97,000
To provide for an increase in other agency services.....	--	+350,000
To provide for an increases in ADP operations contracts and support.....	--	+84,000
To provide for an increase in costs of miscellaneous contracts and services.....	--	+274,000

To provide for increased costs of supplies.....	--	+136,000
To provide for the replacement of field and laboratory equipment.....	--	+369,000
Subtotal.....	--	+3,839,000
B. Program:		
To provide for increased inspections of coal mines..... (1986 Base: FTE 1,597 Budget Authority $73,894,000)	+56	+3,762,000
To provide for increased inspections of metal and nonmetal mines..... (1986 Base: FTE 562 Budget Authority $28,685,000)	+5	+2,013,000
To provide for an increase in standards review and development..... (1986 Base: FTE 15 Budget Authority $1,064,000)	+2	+40,000
To provide for increased debt collection efforts..... (1986 Base: FTE 53 Budget Authority $1,758,000)	+1	+77,000
To provide for increased equipment approvals, field investigations and samples analyses..... (1986 Base: FTE 332 Budget Authority $19,360,000)	+10	+813,000
To provide for additional miner training through grants and the development and distribution of training materials..... (1986 Base: FTE 98 Budget Authority $11,172,000)	+3	+514,000
To provide for adequate administrative support..... (1986 Base: FTE 171 Budget Authority $11,925,000)	+4	+931,000
To restore the amount withdrawn from obligation for advisory and assistance services pursuant to P.L. 99-190.....	--	+2,000
To provide a program increase for the Working Capital Fund	--	+870,000
Subtotal.....	+81	+8,622,000
Total Increase.....	+81	+12,461,000
Decreases		
A. Built In:		
To provide for a decrease in the Federal Employees' Compensation payment.....	--	-145,000
To provide for a decrease in GSA space rental charges....	--	-310,000
To provide a decrease in compensation for other than full time employees.....	--	-250,000
Total Decrease.....	--	-705,000
Total Change.....	+81	+11,756,000

BUDGET AUTHORITY BY ACTIVITY

	1985 Comparable		1986 Appropriation		1986 Estimate 1/		1987 Estimate		Change	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
Budget Authority applied to General Funds:										
1. Enforcement:										
(a)Coal	1,676	$75,669,000	1,675	$76,424,000	1,597	$72,301,000	1,653	$78,528,000	+56	+$6,227,000
(b)Metal/nonmetal	590	29,723,000	580	30,582,000	562	29,266,000	567	30,698,000	+5	+1,432,000
(c)Standards	14	895,000	17	897,000	15	858,000	17	1,104,000	+2	+246,000
2. Assessments	58	1,883,000	54	1,755,000	53	1,680,000	54	1,835,000	+1	+155,000
3. Educational policy and development	103	11,685,000	101	11,629,000	98	11,129,000	101	11,686,000	+3	+557,000
4. Technical support	349	18,571,000	342	18,402,000	332	17,611,000	342	20,173,000	+10	+2,562,000
5. Program administration	185	11,699,000	168	11,990,000	171	11,879,000	175	12,456,000	+4	+577,000
Total budget authority	2,975	150,125,000	2,937	156,179,000	2,828	144,724,000	2,909	156,480,000	+81	+11,756,000

1/ Included in 1986 Estimate above:

Sequestered under P.L. 99-177	-$6,522,000	and	-101 FTE
Withdrawal pursuant to P.L. 99-190	-$2,000		
Comparative transfer from the National Capital Service Center			1 FTE
Comparative transfer to Departmental Management	-$431,000	and	-9 FTE

MSHA-7

BUDGET AUTHORITY BY OBJECT

	1985 Comparable	1986 Estimate	1987 Estimate
Total number of full-time permanent positions	3,093	3,066	2,976
Full-time equivalent:			
Full-time in permanent positions	2,898	2,754	2,835
Other positions	77	74	74
Total	2,975	2,828	2,909
Average ES salary	$67,529	67,529	$67,529
Average GM/GS grade	10.30	10.30	10.30
Average GM/GS salary	$33,520	$33,873	$34,381
Average salary of ungraded positions	$23,896	$24,144	$25,057
Personnel Compensation:			
Permanent positions	$96,180,000	$93,516,000	$97,718,000
Positions other than permanent	1,145,000	1,330,000	1,144,000
Other personnel compensation	846,000	823,000	1,042,000
Subtotal, personnel compensation	98,171,000	95,669,000	99,904,000
Personnel benefits	13,422,000	13,304,000	14,669,000
Travel and transportation of persons	6,169,000	5,122,000	6,320,000
Transportation of things	2,108,000	2,032,000	2,236,000
Space Rental	6,540,000	6,820,000	6,510,000
Communications, utilities and other rent	4,224,000	3,694,000	4,036,000
Printing and reproduction	569,000	549,000	731,000
Other services 1/	10,204,000	9,625,000	12,081,000
Supplies and materials	1,854,000	1,553,000	2,003,000
Equipment	1,694,000	1,408,000	2,820,000
Grants	5,170,000	4,948,000	5,170,000
Total, budget authority by object	150,125,000	144,724,000	156,480,000
Working Capital Fund obligations included above	(2,755,000)	(2,459,000)	(3,405,000)
Advisory and Assistance Services included above	(21,000)	(19,000)	(21,000)

1/ Includes the following amounts for services of other agencies:

Department of the Interior:			
Bureau of Mines	1,671,000	979,000	1,020,000
Department of Commerce:			
National Oceanic and Atmospheric Administration	563,000	150,000	--
Department of Energy	100,000	500,000	677,000

MSHA-6

SIGNIFICANT ITEMS IN 1986
HOUSE AND SENATE APPROPRIATIONS COMMITTEE REPORTS

Item	Action Taken or to be Taken
1986 House Report (No. 99-289)	
No specific actions recommended.	
1986 Senate Report (No. 99-151)	
"Specifically, by December 1, 1985, MSHA should provide the Committee with a report showing for all mines the number of required, planned, and completed inspections for fiscal year 1985 and the number required and planned for fiscal year 1986. In addition, the Committee directs the Secretary of Labor to provide a full report on specific actions MSHA plans to take to conduct the required number of inspections in fiscal year 1986 and whether additional inspectors will be necessary and, if so, how many."	The Secretary provided the required reports to the Committee on November 29, 1985.

AUTHORIZING LEGISLATION

Legislation	Budget Request 1986	Budget Request 1987
Authorizing legislation containing indefinite authority		
Federal Mine Safety and Health Act 1977, (P.L. 95-164)	$144,724,000	$156,480,000

MSHA-10

APPROPRIATION HISTORY

	Budget Estimates to Congress	House Allowance	Senate Allowance	Appropriation
1977.....	95,481,000	95,575,000	99,301,000	99,301,000
1978.....	115,199,000	177,116,000	115,806,000	115,656,000
1979.....	131,113,000	130,750,000	134,750,000	132,750,000
1980.....	138,511,000	136,510,000	142,983,000	143,637,000
1981.....	156,720,000	152,873,000		152,213,000
1982.....	138,630,000	155,734,000	155,534,000	149,313,000
1983.....	153,828,000	153,828,000	153,828,000	153,828,000
1984.....	148,032,000	151,397,000	151,792,000	151,397,000
1985.....	150,550,000	150,550,000	150,550,000	150,550,000
1986.....1/	148,911,000	150,215,000	153,224,000	151,679,000
Sequestered Under P.L. 99-177				6,522,000
1987.....	156,480,000			

1/ Does not include reductions pursuant to P.L. 99-177.

MINE SAFETY AND HEALTH ADMINISTRATION

SALARIES AND EXPENSES

JUSTIFICATION

	1985 Comparable		1986 Appropriation		1986 Estimate 1/		1987 Estimate		Change	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
1. Enforcement:										
(a)Coal.....	1,676	$75,669,000	1,675	$76,424,000	1,597	$72,301,000	1,653	$78,528,000	+56	+$6,227,000
(b)Metal/nonmetal.....	590	29,723,000	580	30,582,000	562	29,266,000	567	30,698,000	+5	+1,432,000
(c)Standards	14	895,000	17	897,000	15	858,000	17	1,104,000	+2	+246,000
2. Assessments.....	58	1,883,000	54	1,755,000	53	1,680,000	54	1,835,000	+1	+155,000
3. Educational policy and development.....	103	11,685,000	101	11,629,000	98	11,129,000	101	11,686,000	+3	+557,000
4. Technical support.....	349	18,571,000	342	18,402,000	332	17,611,000	342	20,173,000	+10	+2,562,000
5. Program administration	185	11,699,000	168	11,990,000	171	11,879,000	175	12,456,000	+4	+577,000
Total budget authority.....	2,975	150,125,000	2,937	156,179,000	2,828	144,724,000	2,909	156,480,000	+81	+11,756,000

1/ Included in 1986 Estimate above:

Sequestered under P.L. 99-177.....	-$6,522,000 and	-101 FTE
Withdrawal pursuant to P.L. 99-190...	-$2,000	
Comparative transfer from the National Capital Service Center....		1 FTE
Comparative transfer to Departmental Management.....	-$431,000 and	-9 FTE

General Statement

The appropriation for the Mine Safety and Health Administration funds the promulgation of safety and health standards for mining operations, application of those standards through mine inspections and the assessment of civil monetary penalties for violations, the development and coordination of training activities, the certification of equipment and materials for use in mines and the promotion of improved safety and health conditions in mines through technical assistance and special programs designed to encourage cooperative efforts among all segments of the mining community. The goal of the agency in fiscal year 1987 is to protect the safety and health of miners utilizing resources in the most effective and efficient manner.

ENFORCEMENT

Subactivity	1985 Comparable FTE	1985 Comparable Amount	1986 Estimate FTE	1986 Estimate Amount	1987 Estimate FTE	1987 Estimate Amount	Increase or Decrease FTE	Increase or Decrease Amount
(a)Coal.....	1,676	$75,669,000	1,597	$72,301,000	1,653	$78,528,000	+56	+$6,227,000
(b)Metal....	590	29,723,000	562	29,266,000	567	30,698,000	+5	+1,432,000
(c)Standards Development.	14	895,000	15	858,000	17	1,104,000	+2	+246,000
Total	2,280	106,287,000	2,174	102,425,000 1/	2,237	110,330,000	+63	+7,905,000

1/ Included in 1986 Estimate above:

Sequestered under P.L. 99-177

Coal.....	-$3,286,000	and	63 FTE.
Metal.....	-$1,316,000	and	18 FTE.
Standards.....	-$39,000	and	2 FTE.
Withdrawal pursuant to P.L. 99-190.....	-$2,000	and	-- FTE.
Comparative transfer to Departmental Management	-$431,000	and	9 FTE.

Introduction

This activity is responsible for developing, promulgating and enforcing safety and health standards for the protection of lives and the prevention of injuries in coal, metal and nonmetal mining operations; providing training programs and related technical assistance to mine operators and agents; and promptly considering and evaluating all relevant and probative evidence submitted by affected parties prior to formal penalty proposals for violations cited.

1987 Budget Request - (a) Coal Mine Safety and Health

The primary objective of MSHA's Coal Mine Safety and Health program during fiscal year 1987 is the provision of a safe and healthful working environment for the more than 180,000 miners employed in the nation's coal mining operations.

In fiscal year 1985, the number of active coal mining operations remained stable. It is projected that the number of coal mines available for inspection in fiscal year 1987 will remain relatively close to the number in fiscal year 1986.

During fiscal year 1987, MSHA will continue to work closely with the nation's miners and mine operators in order to provide all necessary help and assistance in their attempts to alleviate accidents in the coal mining industry. MSHA Coal Mine Safety and Health personnel will conduct 6,813 regular underground and 5,668 regular surface inspections at 5,024 coal mining operations.

In addition to regular inspections, MSHA is required by Section 103(i) of the 1977 Act to conduct spot inspections every 5, 10, or 15 days at irregular intervals in those mines liberating excessive quantities of methane or other explosive gases during a 24-hour period, where methane or other gas ignitions or explosions have occurred during the previous five years resulting in death or other serious injury, or where there exists other especially hazardous conditions.

During fiscal year 1987, it is anticipated that approximately 6,800 103(i) spot inspections will be conducted. Approximately 66,000 other inspections and investigations will be conducted to further ensure the safety and health of the

nation's coal miners. In addition, MSHA personnel will continue to respond to miners' complaints of hazards, operator violations and discrimination.

A variety of other activities will be conducted by MSHA engineers and specialists. These activities will be directed at highly complex problems and/or potential sources of serious accidents or major disaster -- such as roof control, ventilation, haulage, and electrical systems. MSHA specialists will ensure that the Nation's mines have adequate training programs and that they are monitored and evaluated for effectiveness. In addition, fatal accidents and the majority of serious nonfatal accidents will be investigated by MSHA specialists. These investigations provide information which is relayed to MSHA, industry, and union personnel in order to prevent similar occurrences and to promote awareness of areas of concern.

Coal Mine Safety and Health personnel will continue to conduct close-out and health and safety conferences in fiscal year 1987. These conferences are designed to provide an opportunity for mine operators and employee representatives to discuss the circumstances surrounding and the validity of the citations issued by coal mine inspectors.

The following table identifies the major workload categories and program outputs for the Coal Mine Safety and Health Program.

	1985 Actual	1986 Estimate	1987 Estimate
Regular Underground Inspections	6,684	6,813	6,813
Regular Surface Inspections	5,263	5,668	5,668
Subtotal	11,947	12,481	12,481
Other Inspections	76,235	67,730	72,900
Total	88,182	80,211	85,381
Underground mines requiring:			
Four Regular Inspections	1,415	1,415	1,415
Three Regular Inspections	161	161	161
Two Regular Inspections	239	239	239
One Regular Inspection	192	192	192
Total	2,007	2,007	2,007
Surface mines requiring:			
Two Regular Inspections	2,651	2,651	2,651
One Regular Inspection	366	366	366
Total	3,017	3,017	3,017

The number of mines available for inspection varies throughout the year depending on the activity at each mine. The workload projection is based on the number of mines that were active long enough to require one, two, three, or four inspections for underground mines and one or two for surface mines.

1986

In fiscal year 1986, 6,813 regular underground inspections and 5,668 regular surface inspections will be conducted at 5,024 underground and surface coal mines. In addition to these regular health and safety inspections, 67,730 other inspections and investigations will be conducted.

During fiscal year 1986, Coal Mine Safety and Health will continue the Roof Evaluation--Accident Prevention Program (REAP). This comprehensive nationwide program has had a dramatic impact on roof fall fatalities. In fiscal year 1984, there were 32 coal miners killed in roof fall accidents. In FY 1985 that number dropped to 22. Through this program, Coal hopes to reduce this number even further. Falls of roof, ribs, and face are still among the most serious safety problems facing the coal mining industry, and are still the leading cause of fatal injuries in underground coal mines, in spite of the significant decrease in fiscal year 1985.

In fiscal year 1986, Coal Mine Safety and Health discontinued the Nonfatal Days Lost (NFDL) accident reduction program and expanded the concept to a National Accident Prevention Program (NAPP). The NFDL program targeted specific mines with high accident frequency rates and used specialized teams to attack significant health and safety problems at these mines. In fiscal year 1986, all enforcement personnel will be integrated into accident prevention in an attempt to have similar success at all mines that the NFDL program had at targeted mines.

In fiscal year 1986, the Management Information System rewrite will go into effect making the system more efficient and providing management and inspection personnel with more usable data for use in designing and enforcing health and safety principles.

The sequestration of funds required by P.L. 99-177 will result in 63 fewer FTE and 5,170 fewer inspections of coal mining operations.

1985

In fiscal year 1985, 6,684 regular underground inspections and 5,263 regular surface inspections were conducted at underground and surface coal mines. In addition to these regular health and safety inspections, 76,235 other inspections and investigations were conducted.

Fiscal year 1985 marked the fourth year of operation of Coal Mine Safety and Health's NFDL accident prevention program. Each of Coal Mine Safety and Health's districts selected target mines for special attention in the NFDL program. A team of specialists continued to develop an accident reduction plan for each target mine. Results from the analysis of the fiscal year 1985 NFDL accident reduction program implemented by Coal Mine Safety and Health indicate the program has been effective in attempting to reduce the NFDL injury rate in the nation's mines. In fiscal year 1985, 75 percent of those target mines reporting full-year data experienced a decline in their NFDL rate compared to fiscal year 1984.

In fiscal year 1985, Coal's data processing and information technology continued to provide management and field safety and health personnel with timely and accurate information necessary for the effective support of their responsibilities. During fiscal year 1985, Coal Mine Safety and Health's automated Management Information System was rewritten. Improvements and refinements in both input and output programs were made to meet the needs of the health and safety activity.

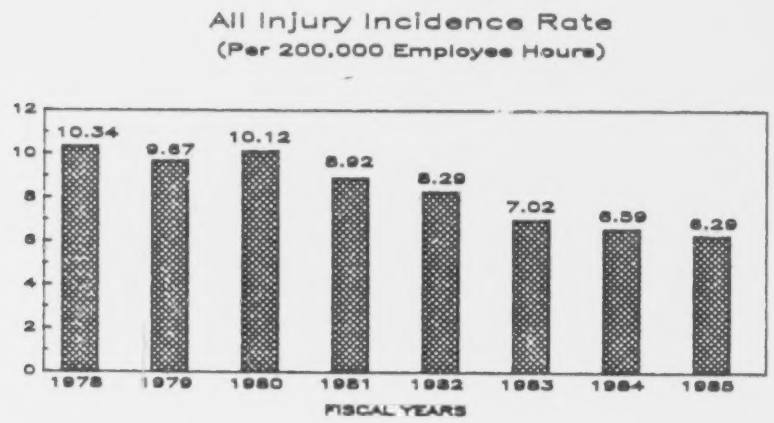
In fiscal year 1985, Coal Mine Safety and Health augmented the REAP Program. This comprehensive nationwide program is aimed at promoting better roof control practices. Falls of mine roof, face, and ribs are among the most serious safety problems facing the coal mining industry, and are the leading cause of fatal injuries in underground coal mines. In order to realize long-term improvements in preventing roof fall-type accidents, Coal Mine Safety and Health has taken the

MSHA-16

lead in developing a nation-wide program in cooperation with other agencies having an interest in coal mine safety. The REAP Program takes a comprehensive approach combining training, engineering, statistical analyses, and enforcement to encourage good roof control practices and to promote the state-of-the-art roof control technology. A national clearinghouse was established to provide up-to-date technical and statistical roof control information. Annual training provided MSHA's roof control specialists is being given to personnel from non-MSHA organizations such as coal operator associations, the United Mine Workers of America, the National Association of State Mine Inspection Agencies, and the Bureau of Mines. Special statistical reports describing roof fall accidents and injuries have been developed and are being distributed to the industry, and an extensive public awareness campaign was initiated to remind mine operators and miners of roof fall dangers.

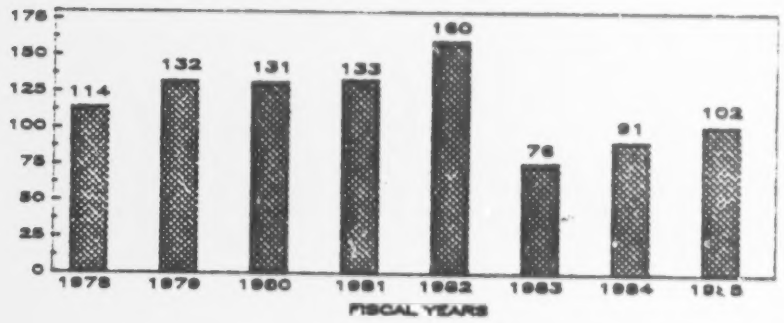
MSHA conducted the annual Winter Alert program in fiscal year 1985 to publicize the increased dangers posed by the mining environment during late fall, winter, and early spring. Although mine explosions have occurred at all times of the year, a higher percentage have occurred between October and March than might be statistically expected. Research shows that the drier atmosphere and fine dry coal dust, sometimes coupled with methane liberated at the mine face or from abandoned areas, increase the susceptibility to explosions during these months. Also, roof control problems are more severe at this time because of alternate cooling and thawing of the ground. Another winter hazard common to surface areas of underground mines and surface mines is the icy and slippery condition of walkways, machinery, and work areas. By bringing attention to these hazards through the cooperation of mine operators, the mine workforce and MSHA district offices, MSHA hopes to achieve a reduction of wintertime accidents and injuries.

Injury incidence rates leveled off in fiscal year 1985. If the new National Accident Prevention Program (NAPP) is as successful as the NFDL Program has been in the past there should be a decline in this rate in future fiscal years. The following table displays the coal mining All-Injury Rate per 200,000 employee hours for fiscal years 1978 through 1985.



Fewer fatalities, 67, occurred in calendar year 1985 than in any year since statistics have been maintained. On a fiscal year basis, fatalities have risen the past two years, fiscal year 1985 being impacted by the Wilberg Disaster in December 1984. The following table displays Coal fatalities for fiscal years 1978 through 1985.

COAL FATALITIES



Changes for 1987

Activity Changes:

Built-in:	
Within-grade promotions and merit pay	$958,000
Night differential	219,000
Terminal leave	42,000
Travel and GSA motor vehicle costs	242,000
Repair and maintenance of equipment	109,000
Supplies	147,000
Miscellaneous costs	33,000
Decrease in GSA space rental costs	-157,000
Total Built-in	1,593,000
Net Program	$4,634,000
FTE	56

MSHA-18

Working Capital Fund

Proposal: To provide for an increase in MSHA's contribution to the Working Capital Fund.

Rationale: To provide for an increase for Departmental administrative and support services.

Program Effects: There are no program effects.

Base:
FTE: 0 Estimate: $2,535,000

Program Increase:
FTE: 0 Estimate: $ 870,000

Coal Mine Safety and Health

Proposal: To provide for an increase in inspections of coal mines.

Rationale: This increase will provide the resources necessary to ensure timely abatement of violations cited during inspections, to continue the success of Coal's special programs such as REAP and NAPP, and to meet industry requests for compliance asssistance and education and training. It also will allow for the relocation of inspectors to balance staffing with workload requirements based on the location of mining operations.

Program Effects: These funds will provide for 56 additional FTE to conduct 5,170 inspections of coal mines.

Base:
FTE: 1,597 Estimate: $73,894,000

Program Increase:
FTE: 56 Estimate: $3,762,000

Advisory and Assistance Services

Proposal: To restore the amount withdrawn for advisory and assistance servies by P.L. 99-190.

Rationale: The additional funds will allow MSHA to increase the winter alert program by providing public service announcements on radio and television directed to the underground coal miner. Increased emphasis on winter hazards is very important in the prevention of mining accidents, injuries and fatalities.

Program Effects: The increase will provide for an increase of $2,000 for public service announcements to warn the mining community of the increased dangers of explosions and fires during the fall and winter months.

Base:
FTE: -- Estimate: $19,000

Program Increase: Estimate: $ 2,000
FTE: --

1987 Budget Request - (b) Metal and Nonmetal Mine Safety and Health

The major objective of MSHA's Metal and Nonmetal Mine Safety and Health program is to provide a safe and healthful working environment in the Nation's metal and nonmetal mining operations. Under the Mine Safety and Health Act of 1977, this responsibility will extend to approximately 214,000 employees in approximately 11,403 metal and nonmetal mines. This goal will be achieved through a balanced program of regular inspections of mining operations, special investigations and inspections, enforcement of training regulations, safety and health program evaluations, education and training assistance, and technical advice and assistance.

The Mine Safety and Health Act of 1977 requires inspection of each active underground mine four times and each active surface mine two times per year. Intermittent underground mines will receive two inspections and intermittent surface mines will receive one inspection depending on availability of mines, local conditions, and the continued relocation of inspectors that began in fiscal year 1985. Because of major shifts in the metal and nonmetal mining industry, MSHA found that a major portion of the mines available for inspection had shifted, primarily to the east and south. A voluntary relocation of inspectors to match this shift of mine locations was implemented in fiscal year 1985 and is expected to be completed in fiscal year 1987.

The following table identifies the projected numbers and types of metal and nonmetal mines under MSHA jurisdiction during fiscal year 1987.

Metal and Nonmetal Mines-FY 1987

Mine Type	Year-Round Active	Intermittent	Nonproducing	Total
Underground	250	138	92	480
Open Pit	534	483	40	1,057
Stone Quarry	1,870	1,267	32	3,159
Sand & Gravel	1,927	4,069	32	6,028
Mill	497	145	37	679
Total	5,078	6,102	223	11,403

The Mine Safety and Health Act of 1977 also requires the Secretary of Labor to develop guidelines for additional inspections of mines based on criteria including, but not limited to, the hazards found in mines, experience under the Act and other health and safety laws.

In fiscal year 1987, it is estimated that MSHA personnel will conduct 17,211 regular inspections of metal and nonmetal mines. Besides regular inspections, personnel will conduct approximately 11,713 other health and safety inspections and investigations. These activities fall into four categories:

-- education and training activities;

-- health and safety evaluations and technical assistance programs;

-- special investigations; and

-- special inspections and compliance follow-up inspections.

The education and training program will include the following activities:

-- reviewing, revising, and approving operator training plans;

-- coordinating, promoting, and supporting cooperative training programs among industry, labor, states, and MSHA;

-- conducting instructor training at mining operations and then monitoring the training conducted by the instructors;

-- assisting in Program in Accident Reduction (PAR) activities;

-- identifying mines eligible for Joseph A. Holmes safety awards;

-- coordinating MSHA-sponsored or MSHA-state sponsored seminars and workshops; and

-- developing, preparing, and distributing safety materials to MSHA, industry, state and local governments and labor.

Other health and safety evaluations and technical assistance activities include such positive programs as Compliance Assistance Visits (CAVs) and the Program in Accident Reduction (PAR) evaluations. The success of these programs can be demonstrated by the wide acceptance of CAVs and the continued effectiveness of PAR as illustrated in the bar graph in the section on fiscal year 1985.

Another important activity of the Metal and Nonmetal program is special investigations of alleged violations of protections afforded the miners by the Act. The 1977 Act provides for entitlement of miners to full pay when a mine or section of a mine is closed under an order issued pursuant to provisions of the Act. The Act protects the miner from discrimination, interference or discharge by management for filing complaints or testifying about an alleged danger or safety or health violation. Special investigations will also be conducted of possible knowing and willful violations of safety or health standards or regulations, advance notice of inspections, false reporting and non-reporting, and misrepresentations of mining equipment as defined under the Act. Fatal and non-fatal serious accidents will continue to be investigated as required under the Act.

During fiscal year 1987, special inspections will continue to be directed to gassy mines and other hazardous activities at operations such as shaft sinking, hoisting, and electrical installations or maintenance. Compliance follow-up inspections will be conducted to ensure that violations are corrected.

The 1977 Act also stresses protection of miners from toxic substances and harmful physical agents in mine environments. The core of the Metal and Nonmetal health program is the systematic monitoring of miners' exposures to harmful airborne contaminants and physical agents during regular inspections, other inspections and special surveys. The emphasis has been on silica dust (respirable quartz), noise, radiation (radon daughters), mineral fibers (asbestos), metallic dusts and fumes, toxic or asphyxiant gases, and organic and inorganic vapors. The Act requires development of improved health standards covering sampling procedures, medical surveillance, recordkeeping, and job transfers for miners suffering from occupational illnesses. In developing these standards, the National Institute of Occupational Safety and Health (NIOSH) plays a key role.

In fiscal year 1987, most of Metal and Nonmetal's resources will concentrate on mandatory activities as required by the Act. Metal and Nonmetal will continue its involvement in the regulatory review process to ensure that metal and nonmetal safety and health standards are more effective in protecting miners and are fair to industry.

The following table identifies major workload categories and program output for the Metal and Nonmetal program.

	1985 Actual	1986 Estimate	1987 Estimate
Regular Inspections	16,079	17,211	17,211
Other Inspections	15,083	9,913	11,713
Total	31,162	27,124	28,924
Mines Covered	11,403	11,403	11,403

1986

During fiscal year 1986, Metal and Nonmetal inspection personnel will conduct approximately 27,124 inspection and investigation events. Approximately 17,211 of these events will be regular inspections of metal and nonmetal mines. The remaining 9,913 events will cover such activities as compliance follow-up inspections, 103(i) spot inspections, accident investigations, special inspections and investigations, Compliance Assistance Visits (CAVs), Program in Accident Reduction (PAR) evaluations, and education and training assistance and evaluations.

In fiscal year 1986, Metal and Nonmetal will continue to emphasize the requirements of the Act. In so doing, major emphasis will be [illegible] required regular inspections and other mandatory activities. Metal and [illegible]ver, will also continue its comprehensive approach to safety and health. To achi[illegible] this, Metal and Nonmetal will emphasize programs designed to assist [illegible]nt [illegible]c labor in improving safety and health conditions and practices in th[illegible]. Detailed workplace inspections will be complemented by safety and health [illegible]alyses, education and training of miners and operators, and other as[illegible]rts.

During fiscal year 1986, Metal and Nonmetal will continue to conc[illegible] a redistribution of the inspection workforce to those parts of the c[illegible]try where additional resources are needed to carry out required inspections. This initiative which began in fiscal year 1985 will permit Metal and Nonmetal to more efficiently enforce the Mine Act in the metal and nonmetal mining industry.

Metal and Nonmetal personnel will continue to be involved in the regulatory review process to ensure that safety and health standards are more effective in protecting the miners and are fair to industry.

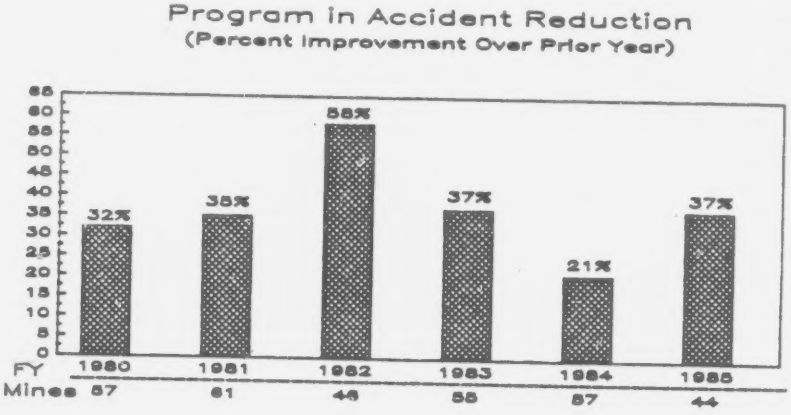
The sequestration of funds required by P.L. 99-177 will result in 18 fewer FTE and 1,800 fewer inspections of metal and nonmetal mining operations.

1985

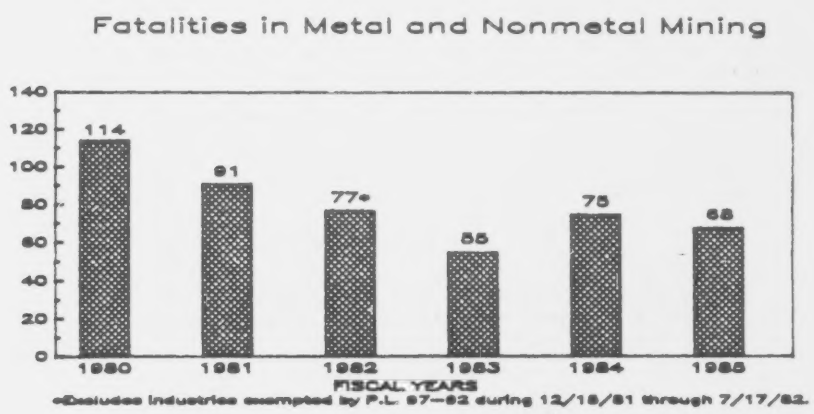
In fiscal year 1985, Metal and Nonmetal renewed its emphasis on mandatory activities as required by the 1977 Act, particularly regular inspections. This resulted in an intense review and subsequent revision of the Management Information System (MIS) to ensure a more accurate mine count and workload distribution. Metal and Nonmetal determined there was an imbalance in the location of inspection personnel compared to the location of mines. A redistribution of inspection personnel was initiated on a voluntary basis and several personnel have subsequently transferred to those parts of the country where additional resources were needed.

MSHA-22

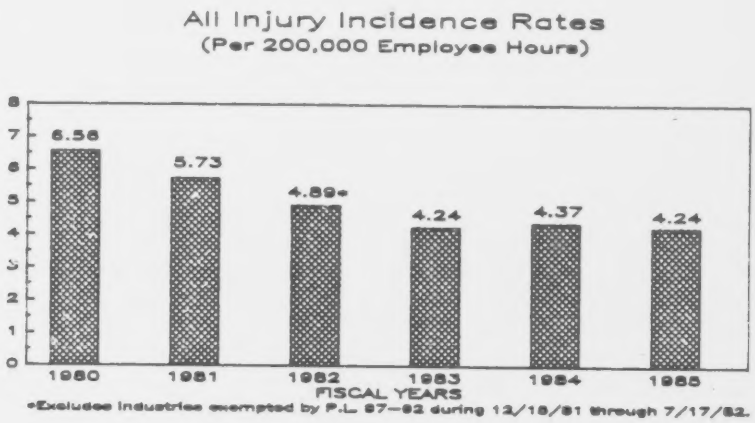
During fiscal year 1985, Metal and Nonmetal personnel issued 23,768 citations (23,105 were for health and safety conditions and practices) and 640 orders (565 were for health and safety conditions and practices). Metal and Nonmetal personnel conducted 31,162 inspection and investigation events. Approximately 16,079 of these events were either complete regular inspections (15,049) or limited regular inspections (1,030). The remaining 15,083 events were for such activities as compliance follow-up inspections, 103(i) spot inspections, accident investigations, special inspections and investigations, education and training assistance and evaluations, Compliance Assistance Visits (CAVs) and Program in Accident Reduction (PAR) evaluations. These latter activities are important to the comprehensive approach maintained by Metal and Nonmetal. The success of these activities is demonstrated by their wide acceptance. For example, in fiscal year 1985 over 1,600 CAVs were requested by operators. The PAR program was again successful in improving the health and safety conditions of mines. The 44 mines in the fiscal year 1985 program achieved a 37 percent reduction in the number of fatal and lost workday injuries. The following graph shows the reduction in lost time or disabling injuries in mines participating in PAR as compared to the previous years.



Injuries and fatalities decreased in fiscal year 1985. Fatalities decreased by 9 percent, from 75 in 1984 to 68 in 1985. The following graph shows fatality trends since fiscal year 1980.



The all injury incidence rate decreased from 4.37 in 1984 to 4.24 in 1985 or 3 percent. The following graph illustrates the all injury incidence rates per 200,000 employee hours from 1980 through 1985.



MSHA-24

Changes for 1987

Activity Changes:
Built-in:
Decrease in GSA space rental.....$-385,000
Miscellaneous non-recurring costs.....-196,000
Total Built-in.....-581,000

Net Program.....$2,013,000
FTE.....5

Metal and Nonmetal Mine Safety and Health

Proposal: To provide for an increase in inspections of metal and nonmetal mines.

Rationale: This increase will provide the resources necessary to ensure timely abatement of violations cited during inspections, to continue the success of the PAR program and to meet industry requests for compliance assistance and education and training. It will also allow for the relocation of inspectors to balance staffing with workload requirements based on the location of mining operations.

Program Effects: These funds will provide for 5 additional FTE to conduct 1,800 inspections of metal and nonmetal operations.

Base:
FTE: 562 Estimate: $28,685,000

Program Increase:
FTE: 5 Estimate: $2,013,000

1987 Budget Request - (c) Standards Development

This activity provides for the development and promulgation of mandatory safety and health standards in order to ensure the best possible protection for the safety and health of all miners. Mandatory standards provide a benchmark for voluntary compliance and a legal basis for subsequent enforcement actions.

New and improved safety and health standards are proposed and promulgated on the basis of information submitted to the Secretary by any interested party, a representative of any organization of employers or employees, a nationally recognized standards-producing organization, the Secretary of Health and Human Services, the National Institute of Occupational Safety and Health, a State or political subdivision, or on the basis of information developed by the Secretary or otherwise available. All new standards, except emergency temporary standards, are promulgated under procedures providing the opportunity for public comment and in accordance with principles of regulatory reform.

MSHA inspection personnel provide input into the standards setting process. After the need for the standard has been determined and the specific input identified, the small staff of standards personnel at the National Office write the standard in final form for publication in the Federal Register. Drafts of proposed standards are circulated to the affected public at the earliest possible date. The Standards Development staff is responsible for coordinating the review of current standards, as well as new ones.

In fiscal year 1987, approximately 275 variances will be processed. After initial review of petitions for variances and publication of notices in the Federal Register, this staff forwards the petitions to the appropriate enforcement office for investigation in accordance with the 1977 Act.

During fiscal year 1987, MSHA will continue its efforts related to a complete review of existing standards and projects relative to regulatory reform. Review of all metal and nonmetal standards will be continued to determine their overall and individual adequacy and effectiveness in terms of the goal of reducing injuries and illnesses in the Nation's mines in a cost effective manner. In addition, MSHA will finalize rule-making on metal and nonmetal standards relating to explosives and radiation and coal standards pertaining to roof control and explosives and blasting. Also MSHA plans to issue regulations on pattern of violations; mine plan approvals; and a regulatory reform initiative which would allow manufacturers or independent laboratories to test certain equipment for use in underground mines in accordance with MSHA's specifications.

In addition, regulatory analyses will be prepared for those standards where assessments of alternatives and their economic impact are required. In accordance with Executive Order 12291, MSHA performs a regulatory impact analysis on all current or proposed major rules, reviews current rules to identify duplicative regulations and/or regulations which are inconsistent with the Executive Order policy directives, and publishes a semiannual regulatory agenda. A regulatory impact analysis must describe the potential costs and benefits of a major rule, including those not quantifiable in monetary terms, to determine the net potential benefit of the rule. In addition, it must describe alternative approaches that might achieve the same regulatory goal at lower costs and state the legal reasons why the agency did not adopt one of the less costly alternative approaches. MSHA chooses the least burdensome alternative to any given regulatory objective which assures the safety of the miners involved.

All of MSHA's regulatory review activities are consistent with executive and legislative directives for improving regulations. MSHA's specific goal will be to eliminate unnecessary regulations, update regulations to conform them to state-of-the-art technology, reduce paperwork and reporting requirements, to clarify, where necessary, requirements and make them more cost effective.

MSHA-26

Petitions for modification of the applications of mandatory safety standards will be processed as rapidly as possible to further assure miner safety.

The following table identifies major workload categories and program output for the Standards Development program.

	1985	1986	1987
Regulations published (proposed and final)	5	14	11
Standards and regulations in process	17	21	17
Variances processed	238	275	275

1986

During fiscal year 1986 work will continue on the review of metal and nonmetal regulations. In line with this review, MSHA will hold several public hearings throughout the Nation on selected, high priority metal and nonmetal and coal standards. Rulemaking will be finalized on at least three of the eight metal and nonmetal sections under active review.

Work will continue on the review of underground coal standards with further issuance of preproposal drafts. The Agency is working toward publishing at least four proposed rules and holding public hearings. MSHA is working toward publishing a proposed rule on the Agency's regulations related to the approval and certification of certain equipment used in underground mines to provide for testing by the manufacturer or an independent laboratory and publishing a final rule updating fees associated with equipment approvals.

In addition, approximately 275 variances will be processed to ensure adequate protection for the miners' safety.

MSHA has issued proposed rules on roof control in underground coal mines and loading, hauling and dumping at metal and nonmetal mines. MSHA expects to issue final rules for machinery and equipment; loading, hauling and dumping; ground control; and gassy mines. MSHA also expects to issue proposed rules for metal and nonmetal standards governing explosives, electricity, air quality, and a proposed rulemaking on radiation. In the coal area, MSHA will issue a final rule for roof control, a preproposal draft for electricity and is working toward a rule on underground coal mine ventilation. Work will continue on related technical support regulations. The Agency will also publish a proposed rule related to pattern of violations.

The sequestration of funds required by P.L. 99-177 will result in two fewer FTE and one less regulation being published as a final rule.

1985

During fiscal year 1985, revised standards were promulgated as final rules for: use of fire protection and control; recodification of safety and health standards for metal and nonmetal mines; and National Mine Health and Safety Academy tuition fees. A total of 17 standards and regulations were worked on during the year, in either the early development stage or as draft, proposed or final rules.

Preproposal drafts or proposed rules were issued for the following standards and regulations:

--proposed revisions to metal and nonmetal standards regarding loading, hauling and dumping, and gassy mines.
--a preproposal draft applicable to both coal and metal and nonmetal mines, for pattern of violations.

Changes for 1987

Activity Changes:
Built-in:

Within-grade promotions and merit pay	$151,000
Printing costs	54,000
Increased share of GSA space rental costs	10,000
Non-recurring equipment purchases	-9,000
Total Built-in	206,000
Net Program	$ 40,000
FTE	2

Standards Development

Proposal: To provide an increase in the review and development of standards.

Rationale: The additional two FTE will increase MSHA's ability to review current standards, allowing irrelevant, duplicative and outdated regulations to be revised or deleted and updating provisions consistent with advances in mining technology.

Program Effects: These funds will provide for an increase in standards development including publication of a final rule on approval criteria for diesel-powered equipment for underground coal mines.

Base:
FTE: 15 Estimate: $1,064,000

Program Increase:
FTE: 2 Estimate: $40,000

MSHA-20

ASSESSMENTS

1985 Comparable		1986 Appropriation		1986 Estimate		1987 Estimate		Increase or Decrease	
FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
58	$1,883,000	54	$1,755,000	53	$1,680,000 1/	54	$1,835,000	+1	+$155,000

1/
Included in 1986 Estimate above:
Sequestered under P.L. 99-177.,.....-$75,000 and 1 FTE.

Introduction

The Federal Mine Safety and Health Act of 1977 mandates that all safety and health violations be assessed a monetary civil penalty. Civil penalties are intended to encourage voluntary compliance and can best promote safety and health if used in connection with serious violations.

The Assessments activity is responsible for all aspects of MSHA's civil penalty program, including assessment of penalties, accounting for all penalty cases in litigation before the Mine Safety and Health Review Commission and the Federal courts, and collecting and accounting for all penalties paid.

In proposing civil monetary penalties, the following statutory criteria are considered: the size of the mining operation; the history of previous violations; the degree of negligence; the gravity of the violation; the good faith effort to achieve rapid compliance and the effect of the proposed penalty on the operator's ability to remain in business. An assessment formula based on these criteria is used to determine the amount of civil penalty for most serious violations. The violation citation and the inspector's evaluation are used as the basis for the agency's proposed assessment.

Under MSHA regulations, the Assessments office may elect not to use the regular assessment formula if the penalty derived from the formula is unusually high or low. Special, usually higher, assessments are considered for severe violations--those which cause death, injury or illness and result from the operator's unwarrantable failure to comply, and other special circumstances. Most non-serious violations that are timely abated are assessed a single penalty of $20.

1987 Budget Request

During fiscal year 1987 the primary function of the Assessments activity will be to assess civil monetary penalties for all violations of the Act consistently and in accordance with statutory criteria, to timely assess and process all violations, to assess penalties at a level that will encourage compliance, to account for all penalty cases in litigation, and to collect and account for all penalties paid. The fiscal year 1987 request provides for the assessment of 130,000 violations of the Federal Mine Safety and Health Act.

MSHA will continue an aggressive debt collection program for operators who do not pay, including the use of a commercial collection agency to assist in this effort. The commercial collection agency will be paid out of the funds collected.

1986

In fiscal year 1986 the Assessments activity will continue to assess violations, to process civil penalty cases (preparing cases for adjudication when appealed to the Mine Safety and Health Review Commission) and to collect and account for all penalties paid.

The major accomplishments in fiscal year 1986 will be: to issue proposed assessments within a reasonable time for the 130,000 violations projected to be issued; to review all citations and orders for conformance to regulations and policy; to account for all penalty cases paid or in litigation; and to take collection action on unpaid cases.

MSHA has established an aggressive debt collection program for operators who do not pay their assessed penalties, including the use of a commercial collection agency. Uncollected penalties for those cases where the operator has not responded to MSHA's demand notice will be turned over to a commercial collection firm on a quarterly basis. Over $1,500,000 of uncollected penalties will be given to the contractor in fiscal year 1986. Since the commercial collection agency will be paid out of the proceeds of the collection, MSHA will incur no costs for the contract.

As a result of the sequestration pursuant to P.L. 99-177, there will be a decline in debt collection activities, such as field contacts and other attempts to close delinquent accounts.

1985

In fiscal year 1985 the Assessments activity assessed 129,142 violations a total of $11.4 million -- an increase of 31 percent in the amount assessed over the prior year.

About 80 percent of the assessment cases were timely paid. In addition to demand notices, field contacts by MSHA personnel, commercial collection efforts and interest charges, MSHA began charging administrative costs for the processing of delinquent accounts and penalties for late payments. Under a contract awarded to a commercial collection agency to assist MSHA in the collection of unpaid civil penalties, $1,151,236 was collected out of the $7,410,806 referred to the contractor as of September 30, 1985.

Changes for 1987

Activity Changes:	
Built-in:	
Within-grade promotions and merit pay	$82,000
Decrease in compensation for other than full-time employees	-4,000
Total Built-in	78,000
Net Program	$77,000
FTE	1

Assessments

Proposal: To provide for increased debt collection efforts.

Rationale: Although the above action maintains the level of violations assessed, it will increase MSHA's ability to collect assessed penalties and close delinquent accounts. An aggressive debt collection program contributes to the promotion of voluntary compliance with the Act and the improvement of mine safety and health.

Program Effects: The increase will enable MSHA to continue an aggressive debt collection program. Increased efforts will be made in locating mine operators who do not pay their assessed penalties, in collecting payments and in reducing outstanding accounts receivable through write-offs of uncollectible accounts.

MSHA-30

Base:
FTE: 53 Estimate: $1,758,000

Program Increase:
FTE: 1 Estimate: $77,000

EDUCATIONAL POLICY AND DEVELOPMENT

1985 Comparable		1986 Appropriation		1986 Estimate		1987 Estimate		Increase or Decrease	
FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
103	$11,685,000	101	$11,629,000	98	$11,129,000 1/	101	$11,686,000	+3	+$557,000

1/
Included in 1986 Estimate above:
Sequestered under P.L. 99-177.....-$500,000 and 3 FTE.

Introduction

Educational Policy and Development (EPD), provides unified and comprehensive staff oversight on all matters related to MSHA's role in education and training activities in the MSHA district offices and at the National Mine Health and Safety Academy. In accordance with the statutory requirements of P.L. 95-164, EPD has the responsibility for developing, overseeing and implementing educational policy and programs to train government, industry and organized labor personnel to recognize, eliminate and prevent hazardous conditions in the mining environment. The program functions that comprise this activity include:

--initiating and implementing policies, regulations, and guidelines to ensure agency-wide uniform enforcement of 30 CFR Part 48 (Training and Retraining of Miners);

--directing the design, development and implementation of mine health and safety educational programs, materials and systems;

--reviewing appeals from industry concerning application of 30 CFR Part 48 training regulations by providing a conduit for interpretation and clarification of technical training regulations;

--assuring a strong education and training focus in district offices;

--managing and operating the National Mine Health and Safety Academy to provide professional instruction in mine safety and health subjects to mine inspectors and others;

--initiating and coordinating MSHA-wide special emphasis programs through district managers;

--providing for technology transfer to industry, labor, and educational institutions through district managers;

--maintaining liaison with other Federal and State agencies, associations, unions, etc., that have educational and training programs of interest to MSHA;

--coordinating and evaluating Bureau of Mines' research projects;

--overseeing and coordinating efforts of the Holmes Safety Association which serves as both a catalyst and clearing house for ideas in bringing grass-roots safety and health programs and activities to the mining community; and

--determining State Grant funding policies, directing the apportionment of State Grant funds, evaluating recipient state programs, monitoring programs and providing feedback on program accomplishments through the Academy and district offices.

MSHA-32

1987 Budget Request

In fiscal year 1987, Educational Policy and Development will provide advisory oversight as needed to support MSHA's safety and health education and training needs. Major program emphasis will be on supporting MSHA's training requirements, assuring a strong education and training focus in the district offices, and responding to requests for specialized training programs and materials from the mining industry.

Programs will continue to emphasize education and training to complement the expanded assistance role of the district manager and to coordinate the operation of the National Mine Health and Safety Academy with MSHA's education and training needs, developing new training materials, such as safety manuals and programmed instruction books, video tape productions, slide/tape and film strip training materials, and similar products. These products can be developed quickly to meet specific training requirements necessary to respond to health and safety problems in the industry.

The Academy will also be increasing its capability to participate in the development of training opportunities in field locations consistent with district and mine-operator needs. These opportunities will be joint efforts involving the integration of Academy training to complement the on-the-job training conducted for mine inspectors at the district level and to assist industry in its identified training needs. Cooperative efforts with state agencies, educational institutions, industry and labor organizations will be expanded.

The major workload categories and output for the Educational Policy and Development program are:

	1985	1986	1987
Student days of training	36,302	40,000	40,000
Miners trained (State Grants)	110,260	112,900	120,140
Publications distributed	881,557	850,000	930,000
Publications developed	9	6	7
Training materials developed			
Slide/tape programs	12	15	16
Slide programs	8	2	2
Video tape programs	11	15	16
Grants - states participating	43	46	46

1986

Educational Policy and Development will focus its resources to provide unified and comprehensive staff oversight on all matters related to MSHA's role in education and training activities as well as operating the National Mine Health and Safety Academy.

During fiscal year 1986 the National Mine Health and Safety Academy will provide 40,000 student days of training to ensure that MSHA's mine inspectors, other Federal and State employees, and mining industry personnel are trained to recognize, eliminate and prevent hazardous conditions in the mining environment.

The development and distribution of workbooks, textbooks, laboratory manuals, safety manuals, technical publications and other educational materials to Federal Government employees, community colleges, vocational schools, mining and other industrial groups throughout the United States will continue.

The State Grants program will provide assistance to states requesting assistance through matching grant funds, to develop and enforce effective health and safety laws. Three additional states will be added to the program in 1986.

EPD will continue to assist in upgrading the skills of instructors in the mining industry through conducting seminars and workshops. Aid will be provided to institutions of higher learning in developing materials on mine health and safety for inclusion in their mining curriculums.

As a result of the sequestration pursuant to P.L. 99-177, the number of miners trained and the number of publications distributed will be decreased.

1985

In fiscal year 1985, the following was accomplished:

--increased cooperative efforts with all states and the Navajo Nation by providing open forum, problem solving opportunities; Academy presented training and course development advice in health and safety subjects; and lesson plans, texts, class handouts, and audio-visual materials to strengthen local education and training programs.

--developed new resident courses-- Barrier Analysis and Problem Identification for Coal, Metal/Nonmetal personnel and the industry; Accident Prevention Techniques, Explosives and Blasting for agency supervisors; and Hazard Recognition for Mining Industry.

--developed Mining Systems Workbook (a self-study course for agency supervisors), Notetaking for Metal/Nonmetal personnel, and Kiln Re-Bricking slide program script.

--presented 13 different programs for training industry and labor groups.

--developed special materials and assisted various colleges, state inspection agencies, and other government agencies in training programs.

--held the First National Mine Instructors Conference. The purpose of this conference was to present new training materials, teaching techniques, and teaching aids to industry and college trainers, and to solve common problems, and share new innovations and materials.

--conducted 36,302 student days of training for 16,841 students. A total of 22,294 student days represented mission-related training, conferences and seminars; and the remainder represented Academy facilities utilization by other federal agencies, states and local governments. Of this total, 3,524 student days of training were conducted off-site by Academy personnel for 667 students.

--distributed 881,557 publications and other educational materials and developed nine new publications.

--developed and published the MSHA Administrative Manual 30 CFR Part 48 (Training and Retraining of Miners). This manual is the definitive source of Part 48 policies and it updated, rescinded or clarified all policy documents developed since promulgation of the regulation on October 13, 1978. Use of the manual will standardize policy and facilitate training implementation for the industry and MSHA offices.

--developed eleven video tape programs, such as Notetaking I, Notetaking II, Coal Mine Ventilation, Safety in Shooting off the Solid, Winter Alert, etc.

--developed twelve slide/tape programs, such as Thermal Coal Dryers (Positive Pressure), Use of Explosives, Mine Maps and Emergency Evacuation, etc.

--developed eight slide programs in hoisting safety and inspection, REAP, overhead crane hoisting, ground control, hazard recognition in abandoned mines, and other areas of special emphasis.

--trained 110,260 miners through the 43 states participating in the State Grants program.

--held the Fourth Annual States/MSHA Health and Safety Coordination Conference at the Academy. Forty two states were represented. The purpose of this meeting was to foster a cooperative effort, not only between MSHA and state mine agencies, but to also assist states in cooperating with each other in order to extend available resources.

--held the Fourth Annual Joint Mine Health and Safety Conference at the Academy for the purpose of opening communication to promote a safer workplace. Attendees represented mining companies, labor unions, trade associations, consulting firms, academic institutions, state agencies, the Bureau of Mines, and MSHA.

Changes for 1987

Activity Changes:

Built-in:	
Utility costs	$ 6,000
Increased share of GSA space rental costs	37,000
Total Built-in	43,000
Net Program	$514,000
FTE	3

Educational Policy and Development

Proposal: To increase funds for the training of miners.

Rationale: The above action will increase funds for the training of miners through the State Grants program and will increase the number of publications distributed.

Program Effects: The increase will provide mine safety and health training for 2,300 additional miners. Many of them work for small mining operations which have no other viable alternative to this training. In many cases small mining operations do not have the resources to develop their own training programs or to procure it from some other source. The request will enable MSHA to provide the training, and to increase the number of publications distributed to the mining community.

Base:
FTE: 98 Estimate: $11,172,000

Program Increase:
FTE: 3 Estimate: $514,000

TECHNICAL SUPPORT

1985 Comparable		1986 Appropriation		1986 Estimate		1987 Estimate		Increase or Decrease	
FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
349	$18,571,000	342	$18,402,000	332	$17,611,000 1/	342	$20,173,000	+10	+$2,562,000

1/
Included in 1986 Estimate above:
Sequestered under P.L. 99-177.....-$791,000 and 10 FTE.

Introduction

The Technical Support activity approves and certifies mine equipment, instruments, materials, explosives, and personal protective apparatus to reduce the risk of mine injury and illness, and collects, analyzes and publishes mine injury and illness data to uncover causes of mine accidents and injuries in accordance with the statutory requirements of P.L. 95-164.

Technical Support also provides specialized scientific and engineering support to MSHA and the mining industry by establishing criteria for environmental controls for health protection from analyses and samples collected by MSHA in coal and other mines, and by evaluating the safe design of mine ventilation and ground control. In the event of a mine disaster or other mine emergency, mine emergency response capability is maintained which includes specialized search and rescue equipment as well as on-site analyses and decision making for crisis management. Technical Support also investigates problems of compliance with safety and health standards and recommends solutions to industry and to MSHA.

1987 Budget Request

In fiscal year 1987, Technical Support will continue to approve and certify mine equipment, instruments, materials, explosives and respirators. Specialized scientific and engineering support will also be provided to MSHA and the mining industry to promote health and safety by establishing criteria for environmental controls for health protection from analyses of samples collected by MSHA in coal and other mines, and by evaluating the safe design of mine ventilation and ground control.

Technical Support will continue to collect complete, current information on accidents/injuries/illnesses in the mining industry including mine, victim, and equipment identifiers as well as causal information. This information is coded, computerized and analyzed on a daily basis to provide up-to-date accident/injury/illness information to MSHA's inspectorate, engineering staff, and education/training staff so that agency resources can be effectively directed to areas of need.

Mining industry injury information is published quarterly, providing employment hours, coal production, and injury incident and severity rates for all mines.

Mine emergency response capability will also be maintained to provide assistance in the event of a mine disaster or other mine emergency to protect the lives of miners and others. Equipment and support capability includes the specialized search and rescue equipment as well as on-site analyses and decision making for crisis management. Technical Support will also investigate problems of compliance with safety and health standards and recommend solutions to the industry and to MSHA.

The major workload categories and output for the Technical Support program are:

	1985	1986	1987
Equipment approvals	4,968	4,500	4,900
Respirable coal mine dust samples processed	149,476	149,500	149,500
Field investigations	572	480	530
Samples analyzed	25,765	25,000	26,000
Quality control actions	378	330	330

1986

During 1986 resources will be used to: provide the technical information necessary to correct safety and health hazards associated with new technology in the mining industry; evaluate criteria for the promulgation of mandatory standards; conduct scientific and engineering investigations; process multidisciplined scientific and engineering approval investigations of equipment components, instruments, materials and explosives; process respirable coal mine dust and other environmental airborne samples for determination of compliance with air quality standards; conduct in-mine investigations and laboratory analyses; provide technical input for future engineering developments and assure compliance with safety and health standards such as roof, ventilation, methane, and dust control plan approvals; collect and provide statistical and analytical data on accidents/injuries/illnesses in the mining industry to MSHA personnel and other interested parties; and maintain the mine emergency response capability.

Technical Support will continue evaluating programs and adjusting resources to address immediate safety and health issues. When possible, assistance will be provided to education and training, standards development, and other government agencies.

As a result of the sequestration pursuant to P.L. 99-177, equipment approval investigations, field investigations and samples analyzed will be decreased.

1985

In fiscal year 1985, Technical Support responded to 768 requests for technical assistance from the Administrators of the Coal and Metal/Nonmetal programs which resulted in 572 field investigations in underground and surface mines and associated surface installations. In addition, there were 196 laboratory investigations which included such areas as: rock mechanics, wire ropes, soils and roof bolts. Information included in recommendations to the district officials for solutions to in-mine problems resulted in timely operator compliance and provided mechanisms by which similar hazards could be abated.

Calibrations were performed on 4,995 noise dosimeters and calibrators, radiation meters, anemometers and electrical meters. All instruments used for determination of compliance by Coal and Metal/Nonmetal are calibrated periodically to ensure continued accuracy in making determinations. All standards used are traceable to the National Bureau of Standards.

Technical Support engineers, at the request of district managers, reviewed 173 plans for design, construction and maintenance of waste embankments and impoundments. A detailed engineering evaluation report is prepared for each submitted plan.

In cooperation with the Department of Interior, 731 surface mining plans were reviewed to assure adequacy of state reclamation plans and blasting plans where surface coal mine activities are within 500 feet of active and abandoned underground mines. This activity will be performed by Coal Mine Safety and Health beginning in fiscal year 1986.

The dust weighing laboratory processed 149,476 respirable coal mine dust samples.

Compliance determinations were made based upon the analyses of 25,765 samples submitted by the enforcement program.

During 1985, 378 quality control investigations and 4,968 equipment approval actions were completed/processed.

A total of 120,976 accident/employment forms were processed in fiscal year 1985.

During fiscal year 1985 Technical Support's Mine Emergency Operations (MEO) responded to three mine emergencies involving fires, methane explosions, and blasting accidents. During these emergencies, Technical Support provided engineering, analytical, and logistical support to MSHA. In addition, at the request of the Department of State, the Mine Emergency Operations of Technical Support assisted in the rescue efforts during the earthquake in Mexico City. Several persons were located and rescued as a result of the MEO work there.

Changes for 1987

Activity Changes:	
Built-in:	
Within-grade promotions and merit pay	$454,000
Rental payments to others	73,000
Service contracts and agency services	710,000
Increased share of GSA space rental costs	185,000
Supplies	22,000
Replacement field and laboratory equipment	388,000
Decrease in compensation for other than full-time employees	-83,000
Total Built-in	1,749,000
Net Program	$813,000
FTE	10

MSHA-33

Technical Support

Proposal: To provide an increase in technical support.

Rationale: The increase will provide the funds necessary meet Technical Support workload requirements.

Program Effects: The increase will provide for 400 additional equipment approval investigations, 50 additional field investigations and 1,000 additional samples analyzed.

Base:
FTE: 332 Estimate: $19,360,000

Program Increase:
FTE: 10 Estimate: $ 813,000

PROGRAM ADMINISTRATION

1985 Comparable		1986 Appropriation		1986 Estimate		1987 Estimate		Increase or Decrease	
FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
185	$11,699,000	168	$11,990,000	171	$11,879,000	175	$12,456,000	+4	+$577,000

1/ Included in 1986 Estimate above:
Sequestered under P.L. 99-177..... -$515,000 and 4 FTE.

Comparative transfer from National Capital
Service Center..... $ -- and 1 FTE.

Introduction

The Program Administration activity provides leadership, policy direction, program policy evaluation, and administrative support services for MSHA's safety and health programs.

Executive direction is provided by an Assistant Secretary and staff offices responsible for information programs, legislative and Congressional liaison activities, and program policy evaluation.

The Directorate of Administration and Management plans and directs the full range of administrative management and information technology services within MSHA ensuring that, through effective utilization of resources, MSHA remains a viable and efficient organization responsive to the changing policy and program needs of MSHA and the mining industry. Administrative support services include personnel management, MSHA's equal employment opportunity program, financial management, procurement and contracting, employee training, safety and health programs for MSHA employees, records management, property management, management analysis and information technology.

1987 Budget Request

In fiscal year 1987, major emphasis will be given to continued administrative support for Federal mine safety and health activities while reducing administrative support costs through management savings.

Continued emphasis will be placed on management goals in fiscal year 1987. Actions will be taken to achieve optimum utilization of personnel resources. Priority will be given to implementing Reform 88 initiatives. Actions will be taken to save interest and reduce costs through cash management improvements and the collection of audit related debts. The internal control reviews and corrective actions required in preventing fraud, waste, and abuse will continue in fiscal year 1987.

During fiscal year 1987, MSHA plans to replace 53 MSHA-owned vehicles at a cost of $553,000. Eight of these motor vehicles are passenger-carrying while the remaining 45 are special purpose, four-wheel drive vehicles needed for travel on rough terrain at mine sites inaccessible to conventional passenger-carrying vehicles.

MSHA's plan to establish a single management information system will be continued in 1987. The Information Systems Center (formerly known as the Denver Computer Center) will begin gathering work data in preparation for an Office of Management and Budget (OMB) A-76 study which must be started by fiscal year 1988.

In fiscal year 1987, six information technology positions will be transferred from the Coal activity to the Program Administration activity. One procurement position will be transferred from the National Capital Service Center.

1986

In fiscal year 1986, the Program Administration activity will continue programs designed to provide administrative support for Federal mine safety and health activities at lower cost to the Government.

As a result of the refined planning and management process begun in fiscal year 1985, MSHA identified agency management objectives for fiscal year 1986 and established a system for meeting these objectives and tracking MSHA's progress on a quarterly basis.

A systemic approach to determining and planning training needs of MSHA employees will be developed in 1986.

In fiscal year 1986, Program Policy Evaluation (PPE) will initiate a revision to the current vulnerability instruments to improve the quality and make them more specific to MSHA requirements. The establishment of an inspection frequency report in fiscal year 1985 to monitor MSHA inspection activities will continue in fiscal year 1986 with a quarterly analysis of mine count by type and of inspection completion rates. This will enable MSHA management to know precisely the number of mines that have not been inspected, and inspections can then be scheduled.

An internal control preliminary review is being completed on accident reporting compliance. In conjunction with the results of a task force established by the Assistant Secretary, a determination will be made as to what corrective action, if any, is necessary to ensure accurate and timely reporting of accidents and employee-hours by the mining industry. If the results show that corrective action is necessary, PPE will be responsible for the evaluation of the corrective actions to ensure compliance with 30 CFR Part 50 (Notification, Investigation, Reports and Records of Accidents, Injuries, Illnesses, Employment, and Coal Production in Mines).

During fiscal year 1986, the PPE staff will continue to conduct reviews on the supervisory training program, the State Grants program, inspection training and retraining, and on the work measurement model to determine resource allocation and utilization.

In fiscal year 1986, MSHA will initiate improvements in providing financial services to MSHA managers and staff. Plans are underway to automate manual processes and to provide revised reports and travel and financial management handbooks in order to maximize efficiencies in providing finanical data to MSHA managers that can be readily used by them in the management of their programs.

During fiscal year 1986, MSHA will begin the planning for a single management information system incorporating the Coal, Metal/Nonmetal, Assessments, Educational Policy and Development and administrative systems into one system. This will entail the establishment of a common set of data elements and codes MSHA-wide and the development of work statements and specifications.

1985

In fiscal year 1985 MSHA implemented an improved planning and management process which establishes a framework for the systematic management of the agency. This involves the setting of priorities and objectives and assigning accountability for specific objectives to be achieved within established time frames and existing or projected resources. The processes form an integrated, flexible system which is not overly complex and not excessively time consuming. MSHA published a Planning and Management Process Handbook in April 1985, which provides MSHA managers the key information necessary for effective management of the programs under their control.

MSHA implemented the requirements of OMB Circular A-123 and the Federal Manager's Financial Integrity Act which requires the establishment, maintenance and reporting of effective internal controls on all financial, programmatic and administrative functions, to minimize the potential for fraud, waste, abuse or mismanagement. The Agency has an on-going plan to improve its internal controls in operations. The plan covers such items as inventorying of assessable units, conducting vulnerability assessments, preliminary and internal control reviews, quality assurance procedures, and actions to reduce unacceptable vulnerability. In fiscal year 1985, MSHA completed 531 vulnerability assessments on 54 assessable units and updated and expanded its inventory of assessable units. These were included in the second round of vulnerability assessments which was completed in the first quarter of fiscal year 1985. Preliminary or full internal controls reviews have been completed on five functions. All MSHA Senior Executive Service and merit pay managers have internal control requirements included in their performance standards.

During fiscal year 1985, a committee of experienced administrative personnel worked to identify and analyze opportunities for cost savings and to identify ways to accomplish management initiatives. This resulted in the establishment of specific goals for fiscal year 1986.

During fiscal year 1985, the Program Policy Evaluation staff conducted reviews on the supervisory training program, the State Grants program, inspection training and retraining, paperwork management initiatives in MSHA, and a work measurement model to determine resource allocation and utilization. Preliminary reviews were conducted on mandated inspections and 30 CFR, Part 50 audits for all Coal and Metal/Nonmetal districts.

MSHA began the upgrading of the Honeywell 6680 computer in Denver, Colorado in 1984 with the purchase of an upgrade kit which increased core memory size from 3 megabytes to 8 megabytes and increased processor capability to a Honeywell DPS 8/70. In fiscal year 1985 the Honeywell DPS 8/70 upgrade and six mass storage disk units were installed. Two disks were upgraded from 600 megabytes to one billion characters. One communications front-end processor was added, and leased modems were competitively replaced with purchased modems. The Coal and the Metal/Nonmetal data bases were re-structured into a common data base to utilize fully the Honeywell data base management system.

Changes for 1987

Activity Changes:

Built-in:

Within-grade promotions and merit pay	$ 59,000
Rental payments to others	45,000
Other agency services	131,000

Working Capital Fund	76,000
Miscellaneous services	30,000
Decrease in payment to the Federal Employees' Compensation Fund	-145,000
Decrease in compensation paid to other than full time employees	-150,000
Total Built-in	46,000
Net Program	$531,000
FTE	4

Program Administration

Proposal: To provide adequate administrative support for MSHA rograms.

Rationale: The increase will provide the funds necessary to provide the administrative support required for MSHA programs.

Program Effects: The increase will provide the administrative services required by MSHA managers and other MSHA employees. This will enable MSHA to continue the implementation of Reform 88 initiatives, internal control reviews, cash management improvements, and other management objectives designed to provide administrative support for Federal mine safety and health activities.

Base:
FTE: 171 Estimate: $11,925,000

Program Increase:
FTE: 4 Estimate: $ 531,000

MSHA-43

EDUCATIONAL POLICY AND DEVELOPMENT
STATE GRANTS PROGRAM

STATE TABLES

State	1985 Actual	1986 Estimate 1/	1987 Request 2/
Alabama	$224,966	$91,509	$89,441
Alaska	76,710	50,666	49,632
Arizona	67,864	81,169	78,584
Arkansas	92,298	52,217	55,836
California	155,733	169,576	163,372
Colorado	83,938	142,000	149,413
Connecticut	36,928	34,571	33,088
Delaware	--	--	3,102
Florida	20,000	40,000	66,693
Georgia	19,440	64,625	67,727
Hawaii	--	--	7,238
Idaho	91,764	44,979	55,319
Illinois	273,675	144,760	142,175
Indiana	44,013	112,121	103,468
Iowa	--	--	152,515
Kansas	69,300	61,532	102,366
Kentucky	864,525	600,340	492,701
Louisiana	15,502	26,094	48,081
Maine	32,745	53,768	56,870
Maryland	--	--	37,741
Massachusetts	50,456	53,700	54,285
Michigan	37,555	139,360	128,733
Minnesota	234,751	131,835	135,971
Mississippi	--	--	36,707
Missouri	212,966	131,318	128,733
Montana	103,597	37,990	66,176
Nebraska	--	87,890	87,890
Nevada	106,653	67,969	64,108
New Hampshire	4,447	19,129	18,612
New Jersey	43,928	32,571	33,088
New Mexico	5,056	65,659	69,278
New York	134,128	135,000	189,739
North Carolina	135,856	111,264	99,781
North Dakota	81,312	39,292	39,809
Ohio	204,474	165,824	187,154
Oklahoma	100,967	98,230	90,475
Oregon	72,623	63,591	69,795
Pennsylvania	172,693	384,648	388,267
Rhode Island	9,346	7,755	8,272
South Carolina	73,818	41,360	42,394

MSHA-44

State

	1985 Actual	1986 Estimate 1/	1987 Request 2/
South Dakota	74,433	50,000	66,693
Tennessee	30,100	159,021	115,808
Texas	--	144,000	165,440
Utah	133,534	79,101	73,414
Vermont	--	--	43,428
Virginia	468,184	150,000	202,664
Washington	111,163	134,178	112,189
West Virginia	215,598	261,602	271,425
Wisconsin	170,160	135,454	139,590
Wyoming	12,801	57,387	55,836
Puerto Rico	--	--	25,850
Virgin Island	--	--	1,034
Reserve	--	192,945	--
Total	5,170,000	4,948,000	5,170,000

1/ These are planning estimates based on amounts available for obligation and are subject to change.

2/ These preliminary amounts are based on the number of currently operating mines in each state.

ADVISORY AND ASSISTANCE SERVICES 1/

Type of Services	FY 86	FY 87
Advisory and Assistance Services.....	$21,000	$21,000
Total.....	21,000	21,000
Withdrawn from Obligation under Section 515, Treasury-Postal Service Appropriations Act, 1986. (Referenced in P.L. 99-190).....	-2,000	--
Revised Total.....	19,000	21,000

Justification of 1987 Request

Coal Mine Safety and Health ($21,000):

Funds are required in 1987 for the following two purposes:

- Mining disaster consultants-- MSHA has found it necessary on occasion to hire private sector mining experts to investigate certain mining accidents when the specific expertise required was not available within the agency. Funds are requested for two investigations at $5,000 each.

- Public service announcements-- A total of $11,000 is included for commercial production and distribution of announcements warning the public about the dangers of trespassing at abandoned mines and the increased dangers of explosions and fires during the fall and winter months.

1/ The Cabinet Council on Management and Administration (CCMA) defines advisory and assistance servcies as those activities funded under six categories of procurements found in the Federal Procurement Data System. These categories include: 1) Management and Professional Services, 2) Special Studies and Analyses, 3) Management and Support Services for Research and Demonstration, 4) Training, 5) Management Review of Program Funded Organizations, and 6) Public Relations.

STANDARD FORM 306
July 1968, Bureau of the Budget
Circular No. A-11, Revised.
306-103

MSHA-36

DETAIL OF PERMANENT POSITIONS

	1985 actual	1986 estimate	1987 estimate
Executive level IV	1	1	1
ES-5	3	3	3
ES-4	4	4	4
ES-3	3	3	3
ES-2	3	3	3
ES-1	2	2	2
Subtotal	15	15	15
GS/GM-15	43	43	42
GS/GM-14	105	104	101
GS/GM-13	400	396	384
GS-12	1,455	1,442	1,399
GS-11	194	192	186
GS-10	14	14	14
GS-9	70	69	67
GS-8	27	27	26
GS-7	105	104	101
GS-6	91	90	87
GS-5	249	247	240
GS-4	225	223	216
GS-3	62	62	60
GS-2	10	10	10
GS-1	5	5	5
Subtotal	3,055	3,028	2,938
Ungraded	22	22	22
Total Permanent Positions 1/	3,093	3,066	2,976
Unfilled Positions, end-of-year	264	173	141
Total permanent employment, end-of-year	2,829	2,893	2,835
1/ Worker-Trainee Opportunity Program positions included above	(15)	(15)	(15)

THURSDAY, FEBRUARY 27, 1986.

PENSION BENEFIT GUARANTY CORPORATION

WITNESSES

KATHLEEN P. UTGOFF, EXECUTIVE DIRECTOR
ROYAL S. DELLINGER, DEPUTY EXECUTIVE DIRECTOR FOR INSURANCE PROGRAMS, OFFICE OF THE EXECUTIVE DIRECTOR
HENRY R. THOMPSON, DIRECTOR, CORPORATE BUDGET DEPARTMENT
MARY ANN WYRSCH, DIRECTOR, OFFICE OF BUDGET

INTRODUCTION OF WITNESSES

Mr. NATCHER. We take up next the Pension Benefit Guaranty Corporation.

Mrs. Utgoff, before you start, tell us who you have there with you at the table.

Ms. UTGOFF. My Deputy, Royal Dellinger, and my Budget Officer Henry Thompson.

Mr. NATCHER. We are glad to have you before the committee, and we will be pleased to hear from you.

Ms. UTGOFF. We have submitted a written statement.

OPENING STATEMENT

In my oral remarks, I would like to provide some background for our 1987 budget request.

The Pension Benefit Guaranty Corporation provides vital insurance protection to more than 38 million active and retired workers in over 112,000 private defined benefit pension plans.

Covered plans are required by law to pay a premium that is the PBGC's major source of revenue. Although we receive no annual appropriations from the Congress, the PBGC's revolving fund is part of the Federal budget.

At the end of fiscal year 1985, PBGC was responsible for benefit payments to about 168,000 participants in terminated plans. This number is expected to increase to 214,000 by the end of fiscal year 1987.

Our deficit at the close of fiscal year 1985 was $1.3 billion and is growing. We are currently adding to the Federal deficit and, without a premium increase, we will continue to do so.

The Administration has proposed both a premium increase and program reforms to assure that the PBGC can continue to provide the retirement income security that the Congress intended when it created the program.

Briefly, reforms are needed to:

Limit access to PBGC insurance funds to cases involving employer financial distress.

Increase the amounts owed to the PBGC by employers that terminate underfunded pension plans.

And require security in favor of the plan as a condition for granting a minimum funding waiver.

The budget reconciliation legislation now before the Congress includes a compromise reform package as well as a single-employer premium increase to $8.50 per participant.

The premium increase in the reconciliation package was based on projections that proved to be far too optimistic. In fiscal year 1985, we absorbed about $600 million in claims from two large cases, accounting for almost half of our $1.3 billion deficit.

We are now reassessing our premium needs in light of our extremely bad claims experience last year.

Our 1987 administrative budget is designed to handle an increasing workload and reduce several critical backlogs with only a slight increase in resources.

We currently have an excessive backlog of both sufficient and insufficient cases. This is true despite a 29-percent increase in the number of cases processed last year. We expect that our new enrolled actuary certification program and a new sample audit program for certain cases will increase case processing productivity by 25 percent.

We are requesting the resources needed to reduce backlogs to more acceptable levels. These resources will help reduce delays in adjusting benefit payments to the correct levels.

PBGC has also taken steps to improve our cash flow. We have accelerated the due date for premiums paid by large plans as recommended by the Grace Commission.

This will generate an additional $4 million in interest income each year at the current $2.60 payment and $12.5 million at $8.10. We also have secured contractor assistance to identify delinquent premium payers.

Let me conclude by saying that the PBGC has a history of conscientious and effective administration of the guarantee program that protects millions of American workers. With legislative reforms, a premium increase and the management initiatives outlined in our fiscal year 1987 budget plan, I am confident that in fiscal year 1987, we can continue to improve the efficiency of our operations and the financial condition of this vital program.

Thank you, Mr. Chairman, for the opportunity to testify today. I will be happy to answer any questions that you and the committee members may have.

[The statement and biography of Ms. Utgoff follow:]

Statement by Kathleen P. Utgoff
Executive Director
Pension Benefit Guaranty Corporation

BEFORE THE HOUSE APPROPRIATIONS COMMITTEE
SUBCOMMITTEE ON DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES, EDUCATION, AND RELATED AGENCIES

February 27, 1986

Mr. Chairman:

I am pleased to appear before you today to present the Fiscal Year 1987 budget for the Pension Benefit Guaranty Corporation (PBGC).

The PBGC is a self-financing, wholly owned government corporation that provides vital insurance protection to more than 38 million active and retired workers in over 112,000 private defined benefit pension plans. Covered plans are required by law to pay a premium that is the PBGC's major source of revenue. Although we receive no annual appropriations from the Congress, the PBGC's revolving fund is part of the Federal budget and there is a limitation on the amount of our resources that may be used for administrative expenses.

The FY 1987 Budget Request

The PBGC's FY 1987 budget request is divided into three activities: Obligations for Benefit Payments, Financial Assistance, and Program Administration.

The budget includes $289.6 million to provide benefitpayments to vested participants and beneficiaries for FY 1987. This amount is based on our projections that by the end of the fiscal year covered by this budget, the PBGC will be responsible for 216,000 vested participants in 1,400 terminated plans. This amount is an increase of $37.4 million over our current FY 1986 estimate and reflects the increasing number of participants in PBGC-trusteed plans.

The budget includes $3.1 million for the PBGC to provide financial assistance payments to insolvent multiemployer plans that are expected to become unable to pay guaranteed benefits when due to vested participants. The FY 1987 estimate exceeds our current estimate for FY 1986 by $600,000.

For program administration functions, the budget includes $36,874,000 and 490 FTE's. This level of administrative resources will enable us to reduce our backlogs of termination cases and to increase the number of plans for which the PBGC has in-house benefits administration responsibility. The increases will also enable us to improve premium collections and to cover additional litigation expenses.

FY 1985 Significant Accomplishments

In FY 1985, the PBGC received 8,635 termination notices, up from about 7,600 in FY 1984. The number of cases processed in FY 1985 increased to about 7,500, up from 5,800 in FY 1984. This represents a 29% increase over FY 1984, and is more than double the number of cases closed in 1980.

In response to the Grace Commission's recommendation, the PBGC accelerated premium collection from large plans, which will result in additional interest income each year.

The PBGC and the Internal Revenue Service worked together to assure that the minimum funding waiver of approximately $175 million granted the LTV Corporation was adequately collateralized, thereby protecting the insurance system as well as plan participants.

In FY 1985 the PBGC reached an agreement to settle its claims against White Motor Corporation for a single cash payment of $15 million, which is the largest cash settlement in the PBGC's history.

The PBGC has increased efforts to assure that benefits to retirees are not interrupted, for example, in cases in which a plan is abandoned by the plan sponsor. During FY 1985, the PBGC went to court to involuntarily terminate and become trustee of a plan in order to restore pension benefits to retirees.

The PBGC also instituted a voluntary Enrolled Actuary Certification Program that, when elected by plan administrators, will reduce the paperwork and the PBGC's processing time for sufficient plan terminations.

FY 1987 Goals

The PBGC has two key goals for FY 1987 that are reflected in the budget we are presenting today: first, to improve the financial condition of the PBGC and, second, to more effectively handle an increasing workload. To achieve these goals, the PBGC is

committed (1) to seek, on behalf of the Administration, a premium increase and needed reforms for the single-employer program; (2) to continue efforts to reduce the case processing and benefit payments backlogs and (3) to improve the efficiency of our operations.

Financial Condition

Last year, the Administration proposed a single-employer premium increase to $7.50 per participant per year effective January 1, 1985. The equivalent, effective January 1, 1986, would be $8.10.

Based on an $8.10 premium, the PBGC projects FY 1987 premium income of $279.9 million, $43.8 million of related investment income from Government securities and other income of $0.3 million, for a total of $323.9 million. We estimate our total expenses for FY 1987 at $395.8 million, of which $37.9 million is for administrative expenses. With a premium increase to $8.10, we project that the PBGC will incur an operating loss of about $70 million in FY 1987. Thus our deficit would increase by that amount. Without a premium increase, the operating loss and deficit increase would be about $270 million. In addition, cash flow would be negative, thereby adding to the Federal deficit.

The actual single-employer deficit as of September 30, 1985, is reported in the FY 1987 budget at $1.3 billion, more than double the projected figure. We are now analyzing the impact of the FY 1985 claims experience on our premium needs. Clearly, the current $2.60 premium is too low to sustain the program.

Program Reforms

Along with its premium request, the Administration has proposed program reforms that are desperately needed to assure that PBGC can continue to provide the retirement security that Congress intended when it created the program. Briefly, these reforms would

- limit access to PBGC insurance funds to cases involving employer financial distress;
- increase the amounts owed to the PBGC by employers that terminate underfunded pension plans; and
- require security in favor of the plan as a condition for granting a minimum funding waiver.

The Conference Report on H.R. 3128, the reconciliaton legislation now before the Congress, includes a compromise reform package as well as a single-employer premium increase to $8.50 per participant.

Workload

Our second goal in the FY 1987 budget is to handle an increasing workload and reduce several critical backlogs with only a slight increase in resources. While our receipts of insufficient terminations have remained relatively stable at about 100 cases per year, our backlog of cases to be processed remains high -- currently we estimate it to be equivalent to more than three years' processing capability. Because this backlog may have adverse financial effects, we have requested additional resources to enable us to make sustantial progress toward reducing our backlog to a more desirable level of one year's processing capability.

As more plans are trusteed by the PBGC, we become responsible for benefit payments to an increasing universe of participants, and our benefits administration workload continues to increase. At the end of FY 1985, the PBGC was responsible for the payment of benefits to more than 168,000 vested participants in some 1,200 terminated plans of which the PBGC is now or will become trustee. Some 800 of these plans are administered in-house, but the remaining 400 plans are awaiting assumption of full benefit payment responsibility by the PBGC. To handle this increasing workload and reduce the backlog, the Corporation is requesting additional contractor support for the initial processing of participants as they are added to our rolls.

Sufficient plan terminations have been increasing dramatically in recent years. Since 1980, annual receipts of sufficient terminations have increased steadily, from 3,933 plans in FY 1980 to 8,635 cases in FY 1985. This growing workload has resulted in inventories that are too high. The Corporation has addressed this increasing workload in several ways. Two programs -- the Enrolled Actuary Certification Program and a new sample audit program for certain cases -- will increase case processing productivity by an estimated 25%. In spite of this productivity gain, however, our growing receipts will still result in an excessively high inventory. Therefore, our FY 1987 budget includes resources for sufficient case processing at a level that will allow us to reduce the inventory to an acceptable level within three years.

Management Improvements

There are several other areas in which the Corporation will benefit from management improvements contained in the FY 1987 budget. "Project Computers", a multifaceted information resource management system, will be fully implemented by the beginning of FY 1987. This system will eliminate more than $1.5 million in annual timesharing costs and will increase our efficiency and accuracy in processing data. We will continue our implementation of the accelerated premium collection program that was initiated in FY 1985. Based on the current $2.60 premium, the program will generate over $4 million in additional interest income each year. Our FY 87 budget includes additional resources for premium collection activities which we believe will be more than offset by increased revenues from premium collections and penalty and interest payments on delinquent amounts.

Conclusion

The PBGC has a history of conscientious and effective administration of the guarantee program that protects millions of American workers. With legislative reforms, a premium increase and the management initiatives outlined in our FY 1987 budget plan, I am confident that in FY 1987 we can continue to improve the efficiency of our operations and the financial condition of this vital program.

Thank you, Mr. Chairman, for the opportunity to testify today. I will be happy to answer any questions that you and the Committee members may have.

Kathleen P. Utgoff

Dr. Utgoff is Executive Director for the Pension Benefit Guaranty Corporation (PBGC), a self-financing government corporation established under Title IV of the Employee Retirement Income Security Act of 1974 (ERSIA) to administer single-employer and multiemployer pension insurance programs.

From 1983 until her appointment as the agency's top operating officer by Secretary of Labor William Brock in August 1985, she served as a senior staff economist at the Council of Economic Advisers. From 1974 to 1983 she was a policy analyst for the Center for Naval Analyses.

Dr. Utgoff graduated with a degree in economics from the University of California in Northridge. She holds a PH.D. in economics from the University of California in Los Angeles.

As Executive Director of the PBGC, Dr. Utgoff heads the Federal corporation that is responsible for insuring the retirement income of some 38 Americans in 112,000 defined benefit pension plans.

Dr. Utgoff and her husband, Victor, live in Falls Church, Virginia, and have two children, Anna and Margaret.

EXECUTIVE DIRECTOR'S BACKGROUND

Mr. NATCHER. How long have you been Executive Director?

Ms. UTGOFF. Five months.

Mr. NATCHER. Tell us a little bit about your background.

Ms. UTGOFF. In the two years prior to coming to the PBGC, I was a senior staff economist on the Council of Economic Advisors. Previous to that, I was an economist with the Center for Naval Analyses for nine years.

ORGANIZATIONAL CHANGES

Mr. NATCHER. Have you made any organizational or management changes since you have been in?

Ms. UTGOFF. Yes, I have. We looked at the entire organization to—I guess I would characterize it—to make sure that the resources are used for primarily our benefit payments function.

Mr. NATCHER. Are all the top-level positions in the agency currently filled?

Ms. UTGOFF. All that I expect to fill, yes.

EFFECT OF GRAMM-RUDMAN

Mr. NATCHER. Your agency has lost $1.480 million and 10 full-time employees in 1986 because of Gramm-Rudman automatic reductions. Can you tell us what effect this will have on your operation generally?

Ms. UTGOFF. Yes. The most significant effect that it will have on the operation is that it will increase our backlog of what we call individual participant evaluations. When we take in a plan we often begin paying benefits immediately. Then it takes several years to get both the employment records and the plan documents and compare those to the law, so that we have an exact accounting of what we owe that individual over his expected life. That accounting is part of our financial statement.

GAO has asked us to do a higher fraction of these individual participant evaluations to give us an unqualified audit. We will not be able to meet our goals for that this year.

Mr. NATCHER. Do you currently have a hiring freeze in place?

Ms. UTGOFF. As part of the Department of Labor, we do have a hiring freeze.

Mr. NATCHER. Will your staff reduction be through attrition only?

Ms. UTGOFF. Yes.

Mr. NATCHER. Are the Gramm-Rudman reductions restored in your 1987 budget?

Ms. UTGOFF. Yes.

PBGC DEFICIT

Mr. NATCHER. What is the current long-term deficit situation of the Corporation?

Ms. UTGOFF. It is that we now have a $1.3 billion deficit, and at the current premium of $2.60, that deficit will be $3 billion by 1990.

Mr. NATCHER. Has it worsened substantially in the last year?

Ms. UTGOFF. Very much so. We anticipated a deficit at the end of this year of a little bit more than $500 million. Our actual deficit was more than double that, $1.3 billion.

PROPOSED LEGISLATION

Mr. NATCHER. What is the outlook for the next few years?

Ms. UTGOFF. The outlook for the next few years depends crucially on whether the legislation that is now before Congress is passed. If that legislation is passed, we will continue, we will be able to continue paying benefits, and we will have the program reforms that will concentrate benefit payments on cases where they were intended by Congress.

Without those program reforms and without a premium increase, we will continue to pay benefits when they are not needed under the original intent of the program, and we will run out of money.

Mr. NATCHER. What premium level are you proposing in the 1987 budget?

Ms. UTGOFF. Our submitted 1987 budget is based on a premium of $8.10.

Mr. NATCHER. Is that the same level that is included in the conference report on the reconciliation bill that Congress so far has not passed?

Ms. UTGOFF. Roughly the same. The reconciliation bill contains $8.50.

Mr. NATCHER. What other legislative proposals is the Corporation making this year?

Ms. UTGOFF. None.

Mr. NATCHER. Why do you think the Corporation has had such a difficult time getting its premium increase approved by the Congress? What is the problem?

Ms. UTGOFF. Part of the problem is that the vast majority of our premium payors, well in excess of 90 percent, have well-funded plans for which the current premium probably accurately reflects the risk that they pose to the system.

They are not anxious to pay for the people that are now allowed to abuse the system. That pressure could be alleviated with a more risk-rated premium, and that is one of the things that I expect to pursue in the next year.

LARGE PLAN TERMINATIONS

Mr. NATCHER. What were the largest plan terminations last year, and what effect did these have on your financial condition generally?

Ms. UTGOFF. Last year, we had two extra large plan terminations well outside our normal experience. One was the termination—or the proposed termination—of the Wheeling-Pittsburgh Plan, and that will account for roughly half a billion dollars.

We are not sure right now what the exact magnitude of that termination will be. The Allis Chalmers termination, increased our deficit by $165 million.

DUMPING OF PENSION LIABILITIES

Mr. NATCHER. Do you feel that certain large companies are in effect dumping their pension liabilities on the Federal Government?

Ms. UTGOFF. Yes, without a doubt.

RISK-RELATED PREMIUM

Mr. NATCHER. Last year, you were working on a study of risk-related premiums. Has that been completed?

Ms. UTGOFF. No, it has not. The reason it has not been completed is, we don't know right now, without legislation, what the risk to the Corporation will be. We will soon have legislation which sets new rules.

To reallocate that risk appropriately, we have to know exactly what we face. We are holding off on submitting that study until we know what rules we will be allocating risk under.

INVESTMENT ACTIVITY

Mr. NATCHER. What was the Corporation's investment performance in fiscal year 1985?

Ms. UTGOFF. The investment performance for CY 1985 was certainly in the top quartile of all pension portfolios. The equity portion was just a hair below the S&P. Fixed income, was above the appropriate fixed index, so when you take the two parts, and include transactions costs, we did probably slightly better than a weighted performance index.

Mr. NATCHER. Who manages the Corporation's investments?

Ms. UTGOFF. We have outside money managers managing for the Corporation.

Mr. NATCHER. How much does this cost you?

Mr. DELLINGER. The payments vary depending on the particular arrangements worked out with the managers. Payments depend on their approach and the size of the portfolio.

We use a performance fee basis, a fairly new concept in the payment of money managers. Last year, we had a fairly good performance by one manager. However, he did not meet his target under this incentive basis and received no fees from us for his performance.

Mr. NATCHER. How much do you have invested at the present time?

Ms. UTGOFF. Slightly over $1 billion.

PLAN TERMINATION ACTIVITY

Mr. NATCHER. How many plan termination cases do you expect to receive in 1986 and 1987?

Ms. UTGOFF. We are running at about 10,000 sufficient cases a year, and we have averaged about 100 insufficient cases, cases where we will ultimately become trustee of the fund.

Mr. NATCHER. Why have plan terminations increased so much during the past several years?

Ms. UTGOFF. I think there are several factors that are involved. One is the growing popularity of defined contribution plans, the kind of plan that we don't insure, relative to defined benefit plans.

Mr. NATCHER. How many termination cases will you process in 1986 and in 1987?

Ms. UTGOFF. How many sufficient cases or how many total cases?

Mr. NATCHER. Total.

Ms. UTGOFF. I would estimate that it would be something on the order between 8,000 and 9,000.

Mr. NATCHER.

Mr. Conte?

LEGISLATIVE PROPOSALS

Mr. CONTE. I want to join the Chairman in welcoming you to the Subcommittee here today. By all recent accounts, you are attacking your job with a great deal of energy and competence, and we want to wish you the best of luck.

First of all, let me ask you, besides a premium rate increase from $2.60 to $8.50 per worker, what other proposals are presently in the reconciliation bill to help shore up the Corporation's financial situation?

It has been several years now that the Corporation has been proposing a premium increase. Do you think we will finally get one this year?

Ms. UTGOFF. Several important proposals. One would be to limit the claims against the system to companies that are in financial distress so that companies that merely find it convenient cannot dump their pension liabilities on the PBGC.

The second important reform is to increase our recovery about from companies that do terminate their underfunded pension plans. Right now, we only recover about 7 cents on the dollar for the underfunding, and we need to increase that recovery, to convince employers that that is not a cheap way of getting financing, that they are responsible for the pension promises that they make. The third very important reform is to help plans and ultimately us get security when the IRS grants waivers of required contributions to firms that can show financial distress. Unsecured waivers have caused a substantial fraction of our deficit, and we would like to make sure that these do not exacerbate a very bad problem in the future.

Mr. CONTE. You have been trying to get this premium increased for quite a few years.

Ms. UTGOFF. Yes.

Mr. CONTE. Do you think you are going to get it this year?

Ms. UTGOFF. We are going to run out of money soon, so I assume no one will let people get out of pay status.

PRIVATIZATION

Mr. CONTE. One idea of yours that has hit the papers recently is a plan to try and switch the insurance of pension benefits onto the private insurance market.

What stage of development are you at with this plan, and what gives you the hope that private insurers would be able or willing to

cover these plans to the same extent that the Federal Government is now?

Ms. UTGOFF. I think there is some misunderstanding on that score. Our Advisory Committee has a task force that was instituted more than a year before I came to the PBGC, on the basis of a Grace Commission recommendation, to look into private sector alternatives for the PBGC.

We already do a substantial amount of what is sometimes called privatization and at other times called contracting out. We have private contractors performing virtually all the services that the PBGC does, including information processing, actuarial services, and outside legal services.

It is time to sit down and rationalize what we do with our limited resources, and how that can be done, and that is what the task force is doing.

ABUSIVE CLAIMS

Mr. CONTE. I see.

How much do you estimate the Corporation has lost from companies that terminated underfunded plans and then continued to stay in business?

Ms. UTGOFF. About 86 percent of our net claims—including Wheeling-Pittsburgh—are from on-going companies.

Mr. CONTE. Does the Corporation often get stuck with the bill in situations where the IRS gives employers waivers on pension plan contributions? And do you have any estimates on how much these waivers might have cost the Corporation?

Ms. UTGOFF. Almost 20 percent of our deficit can be attributed to waivers granted or pending requests on overdue payments in just 25 or so large cases.

RISK-RELATED PREMIUM

Mr. CONTE. What about the development of a variable or risk-related premium rate that will require poorly funded plans to pay at a higher rate?

Ms. UTGOFF. That is my highest priority after legislation is passed. It is important we maintain employer support for this program, and if it continues to charge the vast majority of employers who are responsible and fund the plans for irresponsible employers, we will lose that support.

PLAN TERMINATION ACTIVITY

Mr. CONTE. How many plans were terminated in fiscal year 1985, and what are your projections for fiscal year 1986 and 1987?

IN FY 1985, ABOUT 40

Ms. UTGOFF. In FY 1985, about 40 without enough assets to pay guaranteed benefits terminated, they include the two largest insufficient cases in our history. There were approximately 8,600 sufficient cases. For FY 1986 and 1987, we project 100 insufficient terminations and 8,000 sufficient terminations.

Mr. CONTE. Those that have enough assets, though, are they considered a problem?

Ms. UTGOFF. It is an administrative burden.

Mr. CONTE. You have 100 plans with shortfalls?

Ms. UTGOFF. Yes. That is the average for the last several years.

Mr. CONTE. Do you expect about the same in 1986–1987?

Ms. UTGOFF. We have already exceeded our projections by a substantial margin for the first quarter of this year, so I see no reason why we wouldn't continue at least at our last year's rate.

Mr. CONTE. How many of these plans, these terminations, are the result of a bankruptcy, and how many are voluntary terminations by the employer?

Ms. UTGOFF. All terminations are voluntary, substantially all of them. In a very small number of cases where we cannot locate the employer, the plan has been abandoned and people get out of pay status, we ask the court for an involuntary termination.

That is only a handful every year. In virtually all the cases, the plan administrator sends us a notice and says he intends to terminate his pension plan, and we look to see whether he has enough assets in the plan.

COVERAGE

Mr. CONTE. How many participants and beneficiaries in pay status will the Corporation be responsible for in fiscal year 1986?

Ms. UTGOFF. About 90,000.

Mr. CONTE. Can you give us an overall estimate on the total number of workers covered under pension plans insured by your agency, and what percentage this represents of the entire civilian work force?

Ms. UTGOFF. We cover about 112,000 plans, and that is about 38 million workers. Roughly 75 percent of all workers who have a pension plan are covered by the PBGC.

EXCESS ASSET REVERSIONS

Mr. CONTE. Another issue that is raising a lot of concern is the increasing company practice of tapping overfunded pension plans.

With growing regularity, companies are canceling their defined benefit plans, calculating their strict obligations to employees, and then shoveling off the excess into their operating or capital budgets.

Do you believe this is a fair practice, or shouldn't even those excess funds belong to the employees?

Ms. UTGOFF. The cases that you are talking about, where the employers recover a substantial amount, $1 million or more, represent only a very, very tiny fraction of the employers who have excesses in their plan.

Each year, about $40 billion is added to defined benefit pension plans, and last year, the peak year of the removal of excess assets, only $4 billion was removed.

Mr. CONTE. Out of $40 billion?

Ms. UTGOFF. In other words, $40 billion was added, and roughly $4 billion was removed through this process of recapture of excess assets. In a very small number of cases, employers have decided

that they need access to that money that is in excess of the amount that is needed to satisfy benefit commitments.

In the vast majority of those cases, involving more than 80 percent of the participants, the termination is followed by the reestablishment of an identical or better plan, so the participants are really not aware of the financial transaction in any sense of the benefits that are due or paid to them.

When employers sign up for a plan they have all the downside risk. If the market should go down, employers are responsible for making up that difference. We would like to encourage them to fund the plan adequately, so that we are not faced with a plan that is underfunded. To tell employers they are simply not entitled to extraordinary upside gains would reduce probably the average funding level.

In May of 1984, the Administration issued guidelines for the removal of excess assets from pension plans that were meant to completely protect plan participants.

Mr. CONTE. Tell us about those guidelines.

Ms. UTGOFF. Yes. The guidelines say that any employer who wants to remove assets from his plan must completely protect the accrued benefits in the plan by purchasing third-party annuities.

If you have accrued a benefit of $300 a month, the plan must purchase from an insurance company a contract that says no matter what happens, it is an irrevocable contract, that that amount will be paid, even if you become covered under another plan.

The participants must receive notice of this transaction, and even people who are not vested must have annuity contracts purchased for their accrued but not vested benefits.

Mr. CONTE. Have you ever turned down any requests for cancellation of an overfunded pension plan?

Ms. UTGOFF. In fact, in the recent Interco case, the employer wanted to recapture the excess assets without following the guidelines. We pursued that case in court to enforce the guidelines and recently won it.

Mr. CONTE. In the last five years, how many companies have been granted reversions, and how much money do you estimate they have been able to get their hands on?

Ms. UTGOFF. Approximately 1,000 cases and roughly $11 billion?

Mr. DELLINGER. Since 1980, most occured in recent years.

BACKLOGS

Mr. CONTE. What is the present status of the backlog of benefit determination cases?

Comparing fiscal year 1985 to fiscal year 1987, your staff is actually going down about eight positions, yet you say you are going to be able to process more cases in the coming fiscal year.

What initiatives have you made that will allow you to get more work out of a shrinking staff?

Ms. UTGOFF. One is for sufficient cases and that is the evaluation of the individual participant rights. That is, it takes us roughly three years to——

REDUCTION OF STAFF

Mr. CONTE. You are asking for eight less people.

Ms. UTGOFF. Our budget contains—I don't believe we are asking for eight less people, but 10 additional people.

Mr. CONTE. Your staff has gone down by eight from 1985 to 1987, is that right?

Ms. UTGOFF. Right.

Mr. CONTE. How can you rationalize that?

Ms. UTGOFF. We are putting in additional people over the 1986 year, but also hiring outside contractors. Most of the additional dollars in our budget will be used for outside contractors to come in and do the individual participant evaluations to reduce our backlog.

PREMIUM COLLECTIONS

Mr. CONTE. How big a problem do you have with employers cheating and not paying the full premium amounts due to the Corporation?

Do you have a good system for monitoring employers to make sure that you are getting all that you are owed?

Ms. UTGOFF. We are going to install a new premium accounting system, but currently, we check the annual forms submitted by plans to the government every year to see whether plans that filed form 5500's and covered by PBGC have paid their premiums. Where we find non-matches—where they have not filed with us, but they have with the IRS—we send them notices.

SECTION 515 WITHHOLDINGS

Mr. CONTE. Just one final question: How much is being withheld this year from the Corporation's budget due to the special section 515 withholding on consultants' fees? What kinds of activities do you use consultants for?

Ms. UTGOFF. $287,000.

Mr. CONTE. These consultants, what do they do?

Ms. UTGOFF. They perform a variety of functions. The biggest one is—are the actuaries.

RECRUITING ACTUARIES

Mr. CONTE. Do you have trouble getting actuaries? Most insurance companies do.

Ms. UTGOFF. We conduct competitive bids for them. No, we have not had any trouble.

Mr. CONTE. Thank you, Mr. Chairman.

BACKLOGS

Mr. NATCHER. What steps are you taking to reduce the plan termination backlog?

Ms. UTGOFF. The biggest step we have taken recently is to institute the enrolled actuary program, where, what is called an enrolled actuary, someone who has been qualified under a government program, is hired by the plan or employer and certifies to

plan asset sufficiency based on all the data that we had previously gathered.

We expect that that will reduce our processing time by approximately 25 percent, for people who are eligible. Not everyone is eligible for that program. We hope that people will be encouraged to use this program, because they will receive a much shorter turnaround time.

PLANS IN TRUSTEESHIP

Mr. NATCHER. How many plans are currently in trusteeship?

Ms. UTGOFF. About 1,100 plans?

Mr. NATCHER. How many participants are in these plans?

Ms. UTGOFF. 168,000.

MONTHLY BENEFITS

Mr. NATCHER. How much are you paying out now on a monthly basis?

Ms. UTGOFF. $15 million a month.

Mr. NATCHER. What is the average monthly payment to an individual?

Ms. UTGOFF. $240.

BACKLOG REDUCTIONS

Mr. NATCHER. What steps are you taking to reduce the backlog of cases awaiting in-house administration?

Ms. UTGOFF. It is a project called Phase 2, where we are trying to bring these cases in-house more quickly after they are terminated. It involves a number of steps, including the use of outside contractors.

CONTRACTS

Mr. NATCHER. What portion of your administrative budget will be devoted to contracts in 1986 and 1987?

Ms. UTGOFF. 25 to 30 percent.

Mr. NATCHER. Are these percentages substantially increased or increasing over previous years?

Ms. UTGOFF. Yes.

Mr. THOMPSON. They have been relatively constant over the years, except for the peak year when we were implementing our Project Computers.

Ms. UTGOFF. We have had basically the same number of FTEs since the inception of the Corporation, so much of the additional work throughout that period has been performed by outside contractors, or resulted in backlogs.

PREMIUM COLLECTIONS

Mr. NATCHER. What does this budget provide for increasing your premium collection efforts?

Ms. UTGOFF. For additional resources for outside contractors to identify delinquent premium payors.

PROJECT COMPUTERS

Mr. NATCHER. What is the status of your Project Computers?

Ms. UTGOFF. It is being implemented right now. We started entering our first cases on it just a few months ago, and we expect to have implementation within——

Mr. DELLINGER. Momentarily for all intents and purposes.

Mr. NATCHER. What will the savings be annually as a result of the project?

Ms. UTGOFF. Well, I can tell you what our anticipated savings were, but it is somewhat difficult to tell now, since our caseload is so much bigger than it was when we made this plan, that the actual expenses are probably going to be higher than they were when we made the plan.

Mr. NATCHER. Do you have an extensive office automation project underway at this time?

Ms. UTGOFF. We do have one. I am not sure whether it is extensive or not. We are trying to achieve a much better information and data flow in the Corporation.

Mr. NATCHER. How much are you expending on this?

Mr. THOMPSON. Office automation system costs totalled approximately $1 million.

DATA PROCESSING COSTS

Mr. NATCHER. How much are you budgeting for automated data processing in 1986 and 1987?

Mr. THOMPSON. In FY 1986, the corporation, budgeted $6,764,000 for automated data processing. In FY 1987, the Corporation budgeted $7,017,000 for automated data processing.

LITIGATION ACTIVITY

Mr. NATCHER. You are requesting an increase of $195,000 for litigation activities. How would these funds be used?

Ms. UTGOFF. They would be used for outside legal counsel. We have several very important cases facing the Corporation right now, for which we need outside legal counsel.

Mr. NATCHER. Briefly, give us some idea of one or two of the significant cases.

Ms. UTGOFF. Yes. In fact yesterday we won a Supreme Court case—the Connolly case—that challenged the constitutionality of the multiemployer Pension Plan Amendment Act of 1980.

In addition, we have the biggest case probably facing us right now is the Wheeling-Pittsburgh case, for which we have a number of legal questions about the date of the termination, the priorities in bankruptcy and a host of questions that need to be answered before we can come to any settlement about this case, which is almost 10 times bigger than any previous case to date.

We also have a very important precedential case, the International Harvester, Wisconsin Steel case, where we are arguing that the company spun off a subsidiary to avoid the payment of their pension benefits. We will continue to use outside legal counsel for that case.

RETAINING STAFF

Mr. NATCHER. Do you have difficulty retaining your highly specialized employees?

Ms. UTGOFF. No. I think that the PBGC has a spirit of its own which has kept many people there that are very highly qualified and could earn a great deal more on the outside than they do at the PBGC.

The two people that are sitting with me are excellent examples.

Mr. NATCHER. How many full-time employees do you currently have?

Mr. THOMPSON. 460.

Ms. UTGOFF. 460.

CORPORATION'S LOCATION

Mr. NATCHER. Where is the Corporation located here in Washington?

Ms. UTGOFF. 2020 K Street.

SPACE RENTAL

Mr. NATCHER. How much are you budgeting for space rental in 1986 and 1987?

Ms. UTGOFF. Between $19 and $21 a square foot.

Mr. NATCHER. Total dollars?

Mr. THOMPSON. In FY 1986, $2.3 million. In FY 1987, $2.5 million.

Mr. NATCHER. Mr. Conte?

Mr. CONTE. I have no further questions.

Mr. NATCHER. Mrs. Utgoff, we want to thank you and your associates for appearing before our committee at this time on this, your first appearance. It has been a good hearing.

Ms. UTGOFF. Thank you.

Mr. NATCHER. Thank you very much.

[The following questions were submitted to be answered for the record:]

Calculation of Unfunded Liability

Mr. Roybal: What is the basis for PBGC's calculations of unfunded liability and why do they differ significantly from calculations used in recent budgets?

Ms. Utgoff: The unfunded liability represents the difference between the market value of PBGC's assets and liabilities, both valued at fiscal year end. PBGC's assets consist of investments derived from premium receipts, assets of plans requiring PBGC trusteeship, employer liability collections, and investment income thereon. It is reduced by benefit payments and administrative expenses. PBGC's liabilities consist of the present value of benefits owed participants in plans requiring PBGC trusteeship.

The value of the unfunded liability changes from year to year due to insuring newly terminated insufficient plans, investment and premium income, other factors changing the value of the reserve for guaranteed benefits and administrative expenses.

PBGC's deficiency in funding (for both the single-employer and multiemployer) rose from $444.8 million as of September 30, 1984 to $1,298.5 million as of September 30, 1985. This increase is due primarily to the very large claims recognized in FY 85 due to the termination of the Wheeling-Pittsburgh and Allis-Chalmers plans.

Proposed Changes in the Single-Employer Program

Mr. Roybal: How would proposed changes in the single-employer program affect current and projected deficiencies in funding?

Ms. Utgoff: Because the proposed changes to PBGC's insurance program will not cover the past claims that have generated our current liability, they would not affect the current deficit.

The PBGC does not expect the rate of increase in claims (and therefore its projected deficiency in funding) to be affected by a large degree in the period immediately following enactment because of the size of claims will continue to reflect minimum funding waivers and business transactions that occurred prior to enactment. However, as time passes, we expect the reforms to have a greater impact on the size of the PBGC's net claims. The exact extent of the impact of the reforms will be known only through experience.

Privatization

Mr. Roybal: Could some changes be made that would allow the termination program to meet its obligations without resorting to a form of private insurance coverage?

Ms. Utgoff: In addition to the reforms that are in the reconciliation package, the PBGC should have a higher priority for employer liability claims in bankruptcy.

Mr. Roybal: What is your understanding of options to "privatize" the single-employer insurance program? How would coverage be provided and by whom?

Ms. Utgoff: There is considerable misunderstanding about the privatization issue. About a year ago the PBGC's Advisory Committee appointed a task force to study potential ways to involve the private sector in PBGC's functions, as recommended by the Grace Commission.

Privatization could run the gamut from hiring a single contractor under the current scheme to issuing stock as a publicly-traded company. I think realistic options for the single-employer program in its current state involve using private sector resources where the private sector can perform a function more efficiently than the government. For example, PBGC already uses private firms for a variety of functions that are integral to the ongoing operations of the Corporation. I believe it is important to continually assess the most efficient way to perform work.

Mr. Roybal: How could it be assured that employees of employers who have very large amounts of unfunded liability would be covered, that premiums for severely unfunded plans would not be prohibitively expensive, and that termination insurance would be obtainable?

Ms. Utgoff: As a public policy matter, participants' benefits must be protected regardless of the funding mechanism for the insurance. Similarly, it would be unrealistic to impose a prohibitively expensive premium on a company. If termination insurance were to be provided through private carriers, the government might have to serve as insurer of last resort. These are the kinds of considerations with which the task force is working.

Mr. Roybal: When will the task force formed to consider privatization of the termination insurance program make its recommendations or report on its findings?

Ms. Utgoff: The task force is currently preparing a report, which should be completed this summer.

Risk-Related Premium Report

Mr. Roybal: When can we expect the report that was mandated to be received by Congress over two years ago on a risk-related premium for financing the termination insurance program?

Ms. Utgoff: The nature of future program reforms will be a factor in risk analysis and premium design under a risk-related premium. Therefore, we are delaying issuing our risk-related premium report pending enactment of reform legislation.

PENSION BENEFIT GUARANTY CORPORATION

	Page No.
Appropriation Language	1
Amounts Available for Obligation	2
Summary of Changes	3
Obligations by Activity	5
Obligations by Object	6
Significant Items in 1986 House and Senate Appropriation Committee Report	8
Authorizing Legislation	9
Financial Statements:	
Statement of Revenue and Expense	10
Financial Condition	11
Status of Trust Funds	12
Justification:	13
General Statement	14
Activities:	
Program Administration	15
Benefit Payments	26
Financial Assistance	27
Advisory & Assistance Services	28
Detail of Permanent Positions	30

PENSION BENEFIT GUARANTY CORPORATION

The Pension Benefit Guaranty Corporation is authorized to make such expenditures, including financial assistance authorized by section 104 of Public Law 96-364, within limits of funds and borrowing authority available to such Corporation, and in accord with law, and to make such contracts and commitments without regard to fiscal year limitations as provided by section 104 of the Government Corporation Control Act, as amended (31 U.S.C. 9104) as may be necessary in carrying out the program through September 30, [1986], *1987* for such Corporation. *Provided*, that not to exceed [$33,040,000] *$36,874,000* shall be available for administrative expenses of the Corporation. [*29 U.S.C. 1304; Department of Labor Appropriation Act, 1986.*]

PBGC-2

Amounts Available for Obligation

	1985		1986		1987	
	FTE	Amount	FTE	Amount	FTE	Amount
Limitation authority	498	$33,057,000	490	$33,040,000	490	$36,874,000
Sequestered under P.L. 99-177	—	—	-10	-1,408,000	—	—
A. Revised Limitation Authority	498	33,057,000	480	31,632,000	490	36,874,000
Section 515 Withholdings 1/	—	—	—	-287,000	—	—
B. Total Limitation	498	33,057,000	480	31,345,000	490	36,874,000
Benefit Payments	—	161,029,000	—	252,200,000	—	289,600,000
Financial Assistance	—	1,278,000	—	2,500,000	—	3,100,000
C. Total, estimated obligations	498	$195,364,000	480	286,045,000	490	329,574,000

1/ Withheld from obligation pursuant to Section 515 of the Treasury, Postal Service, and General Government Appropriations Act as referenced in the full year continuing resolution for 1986, P.L. 99-190.

PBGC-3

SUMMARY OF CHANGES

	1986	1987	Net Change
Estimated Obligations:			
Revolving Fund	$286,045,000	$329,574,000	+$43,529,000
Total	$286,045,000	$329,574,000	+$43,529,000
Full-Time Equivalent:			
Revolving Fund	480	490	+10
Total	480	490	+10

	Revolving Fund	
	FTE	Amount
Explanation of Change:		
Increases:		
A. Built In:		
To provide for net cost of with-in grade promotions/ merit pay fund and benefits in FY 1987	—	+100,000
To provide for rate increases for the following in FY 1987:		
Travel and transportation	—	+18,000
Rents, communications and utilities(including space rental)	—	+160,000
Printing, and supplies	—	+37,000
Recurring contractual services and equipment purchases	—	+488,000
To provide increased Financial Assistance to cover insolvent multiemployer plans expected in FY 1987	—	+600,000
To provide for benefit payments to additional pay status participants, in covered terminated pension plans expected to be paid in FY 1987	—	+37,400,000
Subtotal	—	+38,803,000

PBGC-4

	Revolving Fund	
	FTE	Amount
B. Program:		
To restore the amount withdrawn from obligation for advisory and assistance services pursuant to P.L. 99-190	—	+287,000
To provide for periodic GAO audit as required by Title IV of ERISA	—	+300,000
To provide for increased capacity in Insurance Operations area to enable a reduction in the backlog of cases requiring final benefit determinations; also to reduce the backlog of sufficient termination cases	+5	+2,484,000
To provide for additional capacity in the Benefits Administration area to reduce the backlog of cases awaiting in-house benefits administration	+3	+969,000
To provide for increased resources in the Financial Operations area for acceleration and follow-up on the type and number of enforcement efforts in the premium area and increased investment activity	+2	+708,000
To provide for increased resources in the Legal area allowing pursuit of litigation involving 1) constitutional questions related to ERISA, 2) the collection of employer liability and due and unpaid employer contributions, and 3) efforts to limit the liability that the Corporation has to assume	—	+159,000
Net cost of increases for Program Administration Activity (1986 Base: FTE 480 Budget Authority $31,969,000)	+10	+4,907,000
Subtotal	+10	+4,907,000
Total Increases	+10	+43,710,000
Decreases:		
A. Built-in:		
To provide for decrease in Working Capital Fund	—	-2,000
Subtotal	—	-2,000
B. Program:		
To provide decrease in capital asset purchases	-	-179,000
Subtotal	-	-179,000
Total Decreases	—	-181,000
Total Change	+10	+$43,529,000

OBLIGATIONS BY ACTIVITY

	1985 Comparable		1986 Prior Estimate		1986 Current Estimate 1/		1987 Estimate		Change	
	FTE.	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
Obligations Applied to Revolving Funds:										
1. Program Administration	498	$33,057,000	490	$33,040,000	480	$31,345,000	490	$36,874,000	+10	+$5,529,000
2. Benefit Payments	-	161,029,000	-	211,000,000	-	252,200,000	-	289,600,000	-	+37,400,000
3. Financial Assistance	-	1,278,000	-	1,500,000	-	2,500,000	-	3,100,000	-	+600,000
Total Obligations	498	$195,364,000	490	$245,540,000	480	$286,045,000	490	$329,574,000	+10	+$43,529,000

1/ Included in 1986 estimate:

1. Sequestered under P.L. 99-177 $ 1,408,000 and FTE 10
2. Withdrawal pursuant to P.L. 99-190 $ 287,000 and FTE -
3. Increase in benefit payments $41,200,000 and FTE -
4. Increase in financial assistance $ 1,000,000 and FTE -

PBGC-6

OBLIGATIONS BY OBJECT

	1985 Actual	1986 Estimate	1987 Estimate
Total number of full-time permanent positions	490	490	490
Full-time equivalent:			
Full-time in permanent positions	490	470	480
Other positions	8	10	10
Total	498	480	490
Average ES salary	68,700	68,700	68,700
Average GM/GS grade	10.24	10.24	10.30
Average GM/GS salary	33,455	34,315	34,792
Average salary of ungraded positions	16,577	16,577	16,577
Personnel Compensation:			
Permanent positions	$15,799,000	$15,802,000	$16,379,000
Positions other than permanent	594,000	669,000	669,000
Other personnel compensation	716,000	593,000	537,000
Subtotal, personnel compensation	17,109,000	17,064,000	17,585,000
Personnel benefits	1,766,000	1,928,000	1,874,000
Travel and transportation of persons	360,000	399,000	334,000
Transportation of things	23,000	22,000	23,000
Communications, utilities, and other rent	3,914,000	3,819,000	3,945,000
Printing and reproduction	209,000	216,000	181,000
Other services 1/	8,428,000	7,081,000	12,325,000
Supplies and materials	375,000	404,000	286,000
Equipment	873,000	412,000	321,000
Investments and loans	1,278,000	2,500,000	3,100,000
Insurance claims and indemnities	161,029,000	252,200,000	289,600,000
Total, obligations by object	$195,364,000	$286,045,000	$329,574,000
Working Capital Fund Obligations included above	(76,000)	(65,000)	(63,000)
Advisory and Assistance Services included above	(1,076,000)	(101,000)	(870,000)

OBLIGATIONS BY OBJECT

	1985 Actual	1986 Estimate	1987 Estimate
1/ Includes the following amounts for services of other agencies			
Department of Labor: - Departmental Management (WCF)...	(76,000)	(65,000)	(63,000)
U.S. Public Health Service.....	(36,000)	(33,000)	(39,000)
Social Security Administration.....	(7,000)	(4,000)	(7,000)
Internal Revenue Service.....	(67,500)	(2,000)	(78,000)
Office of Personnel Management.....	(13,000)	(13,000)	(13,000)

PBGC-8

SIGNIFICANT ITEMS IN 1986
HOUSE AND SENATE APPROPRIATIONS COMMITTEE REPORTS

Item

1986 House Report (No. 99-289).

No specific actions recommended

1986 Senate Report (No. 99-151).

No specific actions recommended.

1986 Conference Report (No. 99-402).

No specific actions recommended.

AUTHORIZING LEGISLATION

	Budget Request	
	1986	1987
Legislation		
Authorizing legislation containing indefinite authority		
Title IV of the Employee Retirement Income Security Act of 1974 (ERISA) 29 U.S.C. §1301, et, seq. (1976), (Public Law 93-406), as amended by the Multiemployer Pension Plan Amendments Act of 1980, Public Law 96-364, (September 26, 1980), 94 Stat. 1208.....	$286,045,000	$329,574,000

PBGC-10

STATEMENT OF REVENUE AND EXPENSE

	FY 1985 Actual	FY 1986 Estimate	FY 1987 Estimate
Revenue			
Premium Income	$95,300,000	$252,208,000	$279,865,000
Investment Income	54,569,000	31,289,000	43,751,000
Other Income	278,000	240,000	320,000
Total estimated income	$150,147,000	$283,737,000	$323,936,000
Expenses			
Net operating loss or gain(-), trust fund	$306,411,000	135,484,000	149,792,000
Net liability incurred due to plan terminations	193,914,000	658,645,000	206,151,000
Provision for pending terminations (net)	464,000,000	-464,000,000	--
Change in allowance for uncollectable financial assistance	6,448,000	1,608,000	1,926,000
Administrative expenses	32,923,000	32,143,000	37,945,000
Accrued annual leave	205,000	--	--
Total estimated expenses	$1,003,901,000	$363,880,000	$395,814,000
Net operating gain, loss(-),total	-$853,754,000	-$80,143,000	-$71,878,000

FINANCIAL CONDITION

Public Enterprise Fund

	FY 1984 Actual	FY 1985 Estimate	FY 1986 Estimate	FY 1987 Estimate
Assets:				
Fund balance with U.S. Treasury	$974,000	$728,000	$728,000	$728,000
U.S. securities(par)	283,620,000	302,980,000	462,763,000	573,036,000
Adjustment to market value	2,781,000	19,786,000	5,895,000	4,798,000
Accounts receivable	12,374,000	17,489,000	6,434,000	8,050,000
Equipment, net	2,752,000	3,327,000	3,937,000	2,866,000
Loans to plans (net)	1,616,000	2,045,000	2,737,000	3,311,000
Total assets	$304,115,000	$346,355,000	$482,494,000	$592,789,000
Liabilities				
Unearned premiums	16,743,000	20,876,000	67,955,000	71,353,000
Accounts payable	2,910,000	1,164,000	3,529,000	2,458,000
Net liability incurred-terminated plans	811,991,000	1,132,597,000	1,763,635,000	1,944,081,000
Estimated net liability for pending terminations	--	464,000,000	--	--
Reserve for Financial Assistance	--	25,100,000	24,900,000	24,300,000
Accrued annual leave	946,000	1,150,000	1,150,000	1,150,000
Total liabilities	$832,590,000	$1,644,887,000	$1,861,169,000	$2,043,342,000
Government equity				
Unexpended balances:				
Undelivered orders	7,981,000	4,456,000	4,456,000	4,456,000
Unobligated balance:				
Fund balance	279,633,000	294,700,000	393,984,000	503,546,000
Authority to borrow	100,000,000	100,000,000	100,000,000	100,000,000
Unused borrowing authority	-100,000,000	-100,000,000	-100,000,000	-100,000,000
Invested capital	-816,089,000	-1,597,688,000	-1,777,115,000	-1,958,555,000
Total Government equity	-$528,475,000	-$1,298,532,000	-$1,378,675,000	-$1,450,553,000

PBGC-12

STATUS OF TRUST FUNDS

	1984 Actual	1985 Actual	1986 Estimate	1987 Estimate
Assets				
Cash	$2,140,000	$145,000	$145,000	$145,000
Investments	496,200,000	689,623,000	1,048,788,000	1,221,801,000
Receivables:				
Due from Pension Benefit Guaranty Corporation	701,246,000	1,596,597,000	1,763,635,000	1,944,081,000
Due from employers-terminated plans	79,396,000	128,538,000	119,666,000	99,885,000
Due from employers-pending terminations	2,000,000	--	--	--
Assets of pretrusteed plans	113,490,000	53,445,000	60,180,000	64,640,000
Assets of plans pending termination	33,000,000	207,200,000	--	--
Other assets	68,993,000	13,146,000	13,146,000	13,145,000
Total assets	$1,496,465,000	$2,688,694,000	$3,005,560,000	$3,343,697,000
Liabilities				
Estimate of future benefits-terminated plans	$1,376,100,000	$2,004,700,000	$2,992,767,000	$3,330,904,000
Estimate of future benefits-pending termination	100,000,000	671,200,000	--	--
Other liabilities	20,365,000	12,794,000	12,793,000	12,793,000
Total liabilities	$1,496,465,000	$2,688,694,000	$3,005,560,000	$3,343,697,000

Salaries and Expenses

Justification

	1985 Comparable FTE	1985 Comparable Amount	1986 Prior Estimate FTE	1986 Prior Estimate Amount	1986 Current Estimate 1/ FTE	1986 Current Estimate 1/ Amount	1987 Estimate FTE	1987 Estimate Amount	Increase or Decrease FTE	Increase or Decrease Amount
Program Administration	498	$33,057,000	490	$33,040,000	480	$31,345,000	490	$36,874,000	+10	+$5,529,000
Benefit Payments	-	161,029,000	-	211,000,000	-	252,200,000	-	289,600,000	-	+37,400,000
Financial Assistance	-	1,278,000	-	1,500,000	-	2,500,000	-	3,100,000	-	+600,000
Total Obligations	498	$195,364,000	490	$245,540,000	480	$286,045,000 1/	490	$329,574,000	+10	+$43,529,000

1/ Included in 1986 Current Estimate:

1. Sequestered under P.L. 99-177 $ 1,408,000 and FTE 10
2. Withdrawal pursuant to P.L. 99-190 $ 287,000 and FTE -
3. Increase in benefit payments $41,200,000 and FTE -
4. Increase in financial assistance $ 1,000,000 and FTE -

PBGC-14

GENERAL STATEMENT

The Pension Benefit Guaranty Corporation (PBGC) is a wholly-owned self financing government corporation established by Title IV of the Employee Retirement Income Security Act of 1974 (ERISA) 29 U.S.C. s1301, et. seq. (1976), as amended by the Multiemployer Pension Plan Amendments Act of 1980, (MPPAA) Public Law No. 96-364, (Sept. 26, 1980) 94 Stat. 1208. PBGC is subject to the provisions of the Government Corporation Control Act (31 U.S.C. 846).

Title IV of ERISA as amended by the MPPAA provides that the PBGC is to:

1. Encourage the continuation and maintenance of voluntary private pension plans for the benefit of plan participants.

2. Provide for the timely and uninterrupted payment of pension benefits to participants and beneficiaries under the pension plans covered by Title IV of the Act.

3. Maintain its insurance premiums at the lowest level consistent with carrying out its obligations under Title IV of the Act.

The PBGC currently administers two (2) insurance programs:

1. Guarantee of basic benefits of single-employer plans (Single Employer Program) - Under this program PBGC pays basic benefits for private sector single employer defined-benefit pension plans should the plans terminate with insufficient assets to provide basic benefits. However, ERISA limits the total monthly benefit that PBGC can pay to one individual (currently $1,789.77 per month) and requires PBGC to phase in the insurance coverage for certain benefit increases.

2. Guarantee of Basic Benefits of Multiemployer Plans (Financial Assistance Program) - Under this program multiemployer plan benefits are guaranteed only if a plan is insolvent. The PBGC provides financial assistance to a plan if it receives an application for such assistance from a plan and verifies that the plan is or will become insolvent and unable to pay basic benefits when due. In such case, the PBGC will provide financial assistance in amounts sufficient to permit the plan to pay its basic benefits. The financial assistance is in the form of a loan which is repayable by the plan if it is able.

The financial structure of the PBGC includes both public enterprise funds and trust funds held primarily by private fiduciary agents.

Public Enterprise. Administrative expenses are charged to, and premium collections and investment income are credited to the public enterprise funds. The public enterprise funds are also used to disburse benefit payments and financial assistance. The major sources of funding for the PBGC's public enterprise funds are:

- Insurance Premiums. The principal source of revenue for the public enterprise funds are required premiums paid by ongoing covered plans. The PBGC is required to prescribe insurance premium rates, subject to Congressional approval, to provide sufficient revenue to carry out its Title

IV functions, including the payment of guaranteed benefits, financial assistance, and administrative expenses.

- Investment Income. Whenever the PBGC determines that its revolving fund balances are in excess of current needs, it invests such amounts in securities issued or guaranteed by the United States. The income derived from these investments is the second source of revolving-fund income.

- Borrowing Authority. In addition to the premium and investment incomes which are generated for the revolving funds, the PBGC is authorized to borrow up to $100 million from the United States Treasury to carry out its Title IV responsibilities.

Trust Funds. When the PBGC becomes trustee of a terminated single-employer or a multiemployer pension plan, it transfers the plan's assets into the respective single-employer or multiemployer trust funds (referred to collectively as "the trust fund").

The trust fund has three major sources of funding:

- Plan Assets. The assets of terminated plans for which the PBGC becomes trustee are the primary source of funding for the trust fund. Assets may be in the form of stocks, bonds, or illiquid assets such as real estate which are usually liquidated, or in insurance contracts where it is usually to the PBGC's advantage to cash out.

- Employer-Liability. Generally, an employer sponsoring a covered pension plan which terminated with insufficient assets to pay benefits guaranteed by the PBGC is liable to the PBGC for the amount of the insufficiency up to 30 percent of that employer's net worth at plan termination. When paid to the PBGC, employer-liability payments are transferred to the trust fund.

- Investment Income. Plan assets and employer-liability collections are invested in a diversified portfolio of private sector securities which generate investment income. Long-term performance goals have been established which seek to maximize the return of these assets within acceptable and prudent levels of risk.

PBGC-16

Program Administration

1985 Actual		1986 Prior Estimate		1986 Current Estimate		1987 Estimate		Increase or Decrease	
FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
498	$33,057,000	490	$33,040,000	480	$31,345,000	490	$36,874,000	+10	+$5,529,000

Introduction

The purpose of PBGC's program administration activity is to provide executive direction, management and administrative support services to its benefit insurance programs. The PBGC operates essentially as an entitlement program. Consequently it cannot administratively limit incoming work or individual benefit levels as a result of resource limitations. By law, whenever covered plans terminate, the PBGC is required to ensure that the retirees and beneficiaries of these terminated plans receive their proper benefits in a timely manner.

PBGC's protection currently extends to some 30 million participants and beneficiaries under single-employer defined-benefit pension plans and approximately 9 million participants and beneficiaries under multiemployer defined-benefit plans. PBGC's current obligations to pay life annuities now cover more than 168,000 participants and beneficiaries of terminated pension plans. At the end of FY '85 the present value of the PBGC's obligations to such participants and beneficiaries was about $2.7 billion. The Corporation's assets of about $1.4 billion at the end of FY 1985 were $1.3 billion short of the level required for proper funding of such benefit obligations.

FY 1987 Budget Request

The PBGC's FY 1987 budget is focused on the achievement of high priority objectives which will 1) improve the efficient delivery of our service, 2) allow more progress to be made in reducing termination case backlogs, 3) enable the Corporation to handle an ever increasing workload (new plan terminations) and 4) improve its financial condition.

For purposes of this budget justification the high priority objectives are consolidated and discussed in the following:

- Legislative Changes
- Policy and Regulatory Changes
- Management Improvements
- Reduction of Backlogs

Legislative Changes

Several legislative proposals are being considered at this time by Congress that would increase the single-employer premium and provide program reforms that would help to eliminate abusive claims against the program.

The primary reason for the premium increase requests has been the growth in annual net claims from terminated plans. The growth in annual net claims is attributable in large part to continued growth in the size of very large individual terminations.

In each succeeding year since 1982, at which time the request for a $6.00 premium was introduced, the need for a premium increase has become more acute. The deficit has increased rapidly since 1982. Much of this increase was unexpected. The FY 1985 year-end deficit of $1.3 billion was more than double the figure that was projected at the end of FY 1984. During FY '86 cashflow in the single-employer program will be negative. This trend will continue in 1987 and will accelerate in future years, unless premiums are increased.

In addition to the premium increase, the proposal includes legislative program reforms for the single-employer program. The reforms contained in the proposal will limit the circumstances under which the Corporation would accept an insufficient termination. The reforms also will help plans and the PBGC collect on large unpaid or waived contributions by requiring security for those amounts, except in situations where security would be unnecessary or counterproductive.

Also included is a provision to clarify that ERISA prohibits abusive shifts of unfunded benefits to the insurance program through transfers from stronger to weaker companies that subsequently fail. The proposed provision will help to indemnify the PBGC for losses due to such abusive transfers but will not disrupt normal business transactions.

Policy and Regulatory Changes

During FY '86 and FY '87, PBGC will continue to develop and implement policies and regulations required under both the single-employer and multiemployer programs. The policies and regulations are those needed to provide guidance to plans in carrying out their responsibilities under ERSIA and the Multiemployer Pension Plan Amendments Act of 1980. A major objective of these policies and regulations will also be to reduce or, if feasible, eliminate the burden they impose on the plans covered by the program.

Management Improvements

In FY 1987, PBGC will continue to implement, refine, and initiate management improvements that contribute to overall increased corporate efficiency. In late FY '85, the Corporation began implementing accelerated collection of premiums and an Enrolled Actuary Certification Program.

Accelerated collection of premiums responds to a recommendation of the Grace Commission. When completely implemented, the accelerated collection of premiums is expected to generate more than $4 million (based on the current $2.60 premium) of additional interest income each year.

The Enrolled Actuary Certification Program will reduce paperwork and processing time for sufficient plans in the termination process. This voluntary program allows the plan administrators and enrolled actuaries to certify as to the plan data they submit and, subject to certain PBGC cross-checks, reduce the amount of time needed to process pending cases.

In the area of information resource management, the Corporation plans to complete its "Project Computers" during FY '86. When fully implemented, the system will permit recordkeeping, data processing and financial management to be performed through an integrated data base. Other major features of the system include benefit computations, case administration, legal management and office automation. Benefits of this system include the elimination of more than $1.5 million in annual timesharing costs as well as increased efficiency and accuracy in the processing of data.

Backlogs

The Corporation's most significant backlogs fall essentially into four areas, i.e., 1) benefits administration, 2) sufficient plan termination cases, 3) insufficient plan termination cases and 4) premium collections.

Benefits Administration: At the end of FY '85, the PBGC was responsible for the guaranteed benefits of approximately 168,000 pay status and deferred vested participants in about 1,200 terminated pension plans that are, or will be, trusteed. Of these totals the PBGC had assumed in-house responsibility for some 90,000 vested participants in about 800 plans, although all processing requirements for each participant was not complete. As such, the backlog awaiting in-house PBGC administration was about 78,000 participants in some 400 plans.

Based on historical experience, as well as current indicators, the Corporation can expect approximately 100 new insufficient terminations each year for the foreseeable future. This rate of termination activity would make the PBGC responsible for more than 24,000 additional participants and retirees each year. This estimate could turn out to be very low considering that at the end of FY 85, PBGC received two large terminations that increased the participants roles by more than 27,000. Although the initial processing of participants to the PBGC benefits roll is essentially a one-time process, for every participant or retiree added to the system there is a permanent increase in workload. To handle this increase, in FY 1987, additional contract funds are included to increase the PBGC level of contractor support. PBGC also expects the implementation of its new automated Benefit Payments System to increase its productivity in this area.

Sufficient Plan Termination Cases: Recent experience shows an increasing number of sufficient plan terminations. In FY 1985, PBGC received a total of 8,635 sufficient plan termination notices. This continued the five-year trend of increased sufficient plan terminations. Since 1980, the number of receipts of sufficient plan terminations has risen steadily each year from a total of 3,933 cases in 1980 to 8,635 cases in 1985.

In FY '86, the Corporation expects to achieve an approximate 25% productivity increase from the Enrolled Actuary Program and a sample audit program of a certain class of cases. Despite this unprecedented productivity increase expected, the inventory will remain at about 13,000 cases going into FY '87. This would be

well above a desired in-process inventory level of 8,000 cases (the equivalent of one-year processing capability).

To reduce the backlog in this area, additional funding is included for contractors to perform certain processing steps so as to reduce the amount of applied time expended by in-house staff on each case. The contractor support will enable an additional 1,250 sufficient termination cases to be processed. This would bring the estimated sufficient cases processed to a total of 9,250 and thereby reduce the FY '87 end of year inventory down to a desirable in-process level of 8,000 cases in about 3 years.

Insufficient Plan Termination Cases: Although the number of insufficient case terminations is expected to remain relatively stable at around 100 per year, the processing backlog of cases requiring determination of final benefits is estimated at over 370 cases going into FY '87. This is the equivalent of more than three years of the Corporation's current annual processing capability. This category of backlogs has potentially adverse financial effects. Examples include potentially lower employer liability collections, difficult to recover overpayments of participant benefits and decreased efficiency that results under a protracted elapsed time for processing plans.

PBGC's goal in this area of case processing, is to reduce its backlog of cases requiring "determination of final benefit liabilities" to a work-in-process level of 100 to 150 cases which is the equivalent of approximately one year's receipts and one year's processing capability. The additional resources included in this area will enable the PBGC to raise its processing from 84 cases in FY '86 to 140 cases in FY '87 and to process one of the largest cases in PBGC's history. As such, substantial progress could be made in reducing the processing backlog of this category of cases.

Premium Collections: With regard to premium collections, additional resources are included to increase efforts targeted at increasing collections. These include following up on differences between the number of participants per the PBGC's premium payment files and the number of participants per the IRS 5500 files and lowering the threshold level (re: plan size) in enforcement efforts. At the current $2.60 premium, historical experience indicates that the Corporation can expect a return of about 3:1. Thus for an initial investment of $400,000 PBGC will collect an additional $1.2 million in FY '87. The return comes as a direct result of collecting premiums that may not otherwise be collected, plus, related interest and penalties charged on delinquencies. If the current $2.60 single-employer premium is increased, the rate of return would be expected to increase accordingly.

1986

PBGC's FY 1986 administrative budget reflects a reduction of $1,695,000 from its prior FY 1986 estimate. $1,408,000 of this total reflects the impact of the sequestration of funds required by P.L 99-177. The remaining $287,000 reflects the impact of the withdrawal of the authority to use funds for advisory and assistance services per P.L. 99-190. These reductions will limit the Corporation's ability to engage outside contractor support that would be targeted at reducing backlogs and aggressive pursuit of amounts owed the PBGC. The reductions will probably, out of necessity, hit hardest in the Corporation's legal area where its ability to engage outside specialized legal counsel will be substantially

diminished. Historically, the PBGC can credit the use of such outside legal counsel with contributing significantly to saving the Corporation millions of dollars. The savings have been in the form of increased recoveries from plan sponsors and decreased liabilities assumed by the PBGC.

Notwithstanding the mandated reductions, starting in FY '86, the Corporation will press forward with its catch-up efforts in the benefits administration area. The effort will be made possible at this level by shifting resources, where possible, from staff functions to line production functions.

In the area of insufficient case processing, the Corporation will continue to place primary emphasis on processing large insufficient cases (benefit liability of $5 million or more). However, processing outputs will continue to be curtailed at the FY 1986 resource level because of the high inventory of cases which must be administered by the Corporation's case officers, pending transfer of payment activities from outside agents to PBGC's Benefits Department. Such case officer's administrative responsibilities include ongoing recordkeeping and tasks such as corresponding with participants and beneficiaries. Case inventories in each processing stage for insufficient cases will be stabilized.

In FY 1986 much of the success of the catch-up efforts in the benefits administration as well as the stabilzation of processing inventories in the case termination area assumes PBGC will begin to realize sustantial benefits from the full implementation of its "Project Computers".

In addition to Project Computers, the PBGC will continue to focus on the development and implementation of other effective methods of fiscal and administrative efficiency.

PBGC will also continue to provide technical assistance in support of remedial legislation to increase the single-employer premium and to eliminate the loopholes in the current law which allow abusive claims to be forced onto the insurance program.

1985

In FY 1985, the Corporation received 8,635 termination notices, up from about 7,600 in FY 1984. The number of cases processed in FY 1985 increased to 7,479, up from 5,800 in FY 1984. This represented a 29% increase over FY 1984, and more than double the number of cases closed in 1980.

During FY 1985, the PBGC made several changes that improved its ability to pay benefits. A new benefit payments system was acquired that streamlines procedures and expands the capacity for benefit payment activities. When fully implemented this system will greatly reduce the amount of time required to place new participants into pay status.

PBGC also began to consolidate its interim benefit payment process. Before FY 1985, benefit payments were often provided by a number of banks and insurance companies serving as interim custodians. Consolidation of these payments results in more effective bookkeeping, accounting, and control.

Contractor support services were engaged to help improve the integrity of the Corporation's participant data. This step was taken in response to a GAO-

identified need for the PBGC to improve the quality of particpant data that is used each year for the corporate financial statements.

During FY 1985, the PBGC made major agency-wide advances in the development and in some instances, the implementation of its Project Computers initiative. The case administration system that uses the most current database technology was designed and programmed. The first phase of implementation was completed in the fourth quarter of FY 1985. A new financial information system was acquired, enhanced and tested. An office automation system local area network that offers capabilities for word processing, electronic message distribution, electronic spreadsheet production, and graphics was tested. The system worked well in the offices that used it on a trial basis. Expansion to the remaining offices is planned for FY 1986.

Integrated systems for personnel and payroll functions were developed. When fully implemented the systems will alleviate incompatibilities -- both programmatic and electronic -- that resulted from reliance on disparate computer programs from other Government agencies, and will reduce costs and improve payroll and personnel coordination.

PBGC-22

Changes for 1987(Program Administration)

Activity Changes:

Built-in:

Within grade promotions/merit pay fund and benefits	+$100,000
Travel and transportation rate increase	+18,000
Rents, communications and utilities rate increase (including space rental)	+160,000
Printing and supplies rate increase	+37,000
Contractual services and Equipment purchases rate increase	+488,000
Working Capital Fund Charges	-2,000
Total Built-in	+$801,000
Net Program	+$4,730,000
FTE	+10

Program Restorations

Proposal: To restore $287,000 withdrawn for advisory and assistance services by P.L. 99-190.

Rationale: The above action decreased the 1986 base upon which the 1987 request was developed. The amount must be restored to the base in order to reconcile the change from the revised 1986 base to the 1987 President's budget request.

Program Effects: The restoration of the $287,000 for advisory and assistance service to the FY 1986 Base would have the following program effects:

- enable limited catch-up efforts in the benefits administration area;
- allow for continued emphasis on processing large insufficient cases;
- allow for continued funding of essential premium activities;

Base
FTE: 480 Estimate: $31,967,000

Program Increases:
FTE: 0 Estimate: $287,000

Program Administration

Proposal: To provide funds for the periodic GAO audit of the Corporation's financial records.

Rationale: The Corporation's request is essentially non-discrestionary, that is, Title IV of ERISA mandates such an audit.

Program Effects: The GAO audit will be peformed.

Base
FTE: 480 Estimate: $31,967,000

Program Increases:
FTE: 0 Estimate: $300,000

Proposal: To provide funds for additional capacity in the Benefits Administration area to reduce the backlog of cases awaiting in-house administration.

Rational: Funds are requested to enable the Corporation to partially meet the growing benefit rolls which are increasing at approximately 24,000 vested participants per year. Also contractor support would be used to reduce the backlog of participants being administered by interim agents.

Program Effects: The additional resources will enable the Corporation to reduce the backlogs of participants being administered by interim agents. Also, with outside contractor support the Corporation can stabilize the growth of in-house staff needed to handle the increasing benefit rolls mentioned above.

Base
FTE: 480 Estimate: $31,967,000

Program Increases:
FTE: 3 Estimate: $969,000

Proposal: To provide funds for additional capacity in the Insurance Operations area to enable a reduction in the backlog of cases requiring final benefits determination and enable a reduction in the backlog of sufficient termination cases.

Rationale: Funds are requested to address the continuing increase in the number of sufficient plan terminations. (Plan terminations have more than doubled since 1980). In the area of insufficient plan termination cases, funds are requested to eliminate processing backlogs which have potential adverse financial effects.

Program Effects: The additional resources (including contractor support) would reduce the amount of applied time expended by in-house staff on each sufficient

case processed. As a result, the Corporation will be able to process about 1,250 additional sufficient termination cases and thereby reduce the sufficient termination case backlog to a more acceptable work-in-process level of 8,000 cases over a 3-year period. Regarding, insufficient case processing, additional resources would allow the Corporation to determine final benefit liabilities for 140 cases as compared to normal annual processing of about 100 cases. The additional resources would also allow the PBGC to process one of the largest termination cases in the Corporation's history.

Base
FTE: 480 Estimate: $31,967,000

Program Increases:
FTE: 5 Estimate: $2,484,000

Proposal: To provide funds for increased activity in the Financial Operations area covering acceleration of the type and number of follow-up and enforcement efforts in the premium area and for increased investment activity.

Rationale: Funds are requested to enhance the Corporation's premium collection efforts, i.e., to dispose of a substantial number of accounts with filing discrepancies. Also, in anticipation of the enactment of legislation which will raise the single-employer premium, the Corporation will need to lower the threshold for certain collection procedures to ensure greater returns form the higher premium rate. In addition, funds are requested to enable the Corporation to keep pace with growing investment activities.

Program Effects: The additional resources wil be used to reduce the backlog of accounts with discrepancies. The additional effort is expected to yield savings of approximately 3:1. In the investment area, additional contractor assistance would provide needed expert advice for the management of the revolving fund and alternative investment strategies aimed at increased returns and minimum risk.

Base
FTE: 480 Estimate: $31,967,000

Program Increases:
FTE: 2 Estimate: $708,000

Proposal: To provide for the pursuit of litigation involving the constitutionality of ERISA and other critical legal issues from which the Corporation stands to gain favorable and sizable financial settlements.

Rationale: Funds will allow the Corporation to pursue litigation involving a) constitutional questions related to ERISA, b) the collection of employer liability, c) the collection of due and unpaid employer contributions, and d)

efforts to limit the liability that the Corporation has to assume when certain plans terminate.

Program Effects: The additional funds will allow the Corporation to litigate to pursue recovery of claims in the millions of dollars. Failure to pursue the cases could result in enormous adverse financial effects to the Corporation.

Base
FTE: 480 Estimate: $31,967,000

Program Increases:

FTE: 0 Estimate: $159,000

Proposal: To reduce $179,000 in capital asset purchases.

Rationale: Savings achieved through productivity improvements.

Program Effects: Increased efficiency in program operations.

Base
FTE: 480 Estimate: $31,967,000

Program Decreases:
FTE: 0 Estimate: -179,000

PBGC-20

Benefit Payments

1985 Actual		1986 Prior Estimate		1986 Current Estimate		1987 Estimate		Increase or Decrease	
FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
--	$161,029,000	--	$211,000,000	--	$252,000,000	--	$289,600,000	--	+$37,400,000

Introduction

Benefits are paid directly by the PBGC to participants in terminated plans for which the PBGC has become trustee and for which the PBGC has assumed benefits administration responsibility. The PBGC also makes payments to interim paying agents of plans for which PBGC has become trustee and to interim paying agents when plan assets are insufficient to cover current benefit payments and the PBGC has not yet assumed benefit administration responsibility.

1987 Budget

The resources estimated for benefit payments are needed to pay legally required monthly benefit payments to an estimated 100,000 participants and beneficiaries in pay status in terminated covered pension plans for which the PBGC is or will be responsible for by the end of FY 1987.

1986

FY 1986 resources for this activity are necessary to pay monthly benefit payments to an estimated 90,000 participants and beneficiaries in pay status in terminated covered pension plans for which the PBGC is or expects to be responsible for by the end of FY 1986.

1985

At the end of FY 1985, the PBGC was responsible for the payment of monthly benefits to some 75,000 pay status participants and beneficiaries in terminated covered plans.

CHANGES FOR 1987

Activity Changes:

Built-in	+$37,400,000
Net Program	--

Financial Assistance

1985 Actual		1986 Prior Estimate		1986 Current Estimate		1987 Estimate		Increase or Decrease	
FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
--	$1,278,000	--	$1,500,000	--	$2,500,000	--	$3,100,000	--	+$600,000

Introduction

Effective upon enactment of the Multiemployer Pension Plan Amendments Act (MPPAA) on September 26, 1980, the PBGC is required to make loans to insolvent multiemployer plans to enable them to continue. When the PBGC verifies the insolvency and inability of the plan to pay basic benefits when due, it must provide the plan with sufficient funds to pay the basic benefits.

The PBGC is authorized to regulate the loan disbursements and repayments in order to prevent unreasonable loss to itself.

1987 Budget

PBGC expects that new loans in the amount of $3,100,000 will be made under this program during FY 1987.

1986

PBGC expects that new loans in the amount of $2,500,000 will be made under this program during FY 1986.

1985

During FY 1985, the PBGC made loans to four plans under this program in the amount of $1,278,000. The four plans cover 11,800 participants.

Activity Changes:

Built-in	+$600,000
Net Program	-

PBGC-28

ADVISORY AND ASSISTANCE SERVICES

Type	FY 1986	FY 1987
Advisory and Assistance Services.....	$388,000	$870,000
Personnel Appointments:		
a. Consultants and Experts.....	1,000	-
b. Advisory Committee Members.....	41,000	48,000
Total.....	430,000	918,000
Withdrawn from Obligation under Section 515, Treasury-Postal Service Appropriations Act, 1986 (Referenced in P.L. 99-190).....	$287,000	-
Revised Total.....	$143,000	$918,000

JUSTIFICATION OF FY 1987 REQUEST

Activity 1: Program Administration ($918,000)

A. Advisory and Assistance Services

Funds for advisory and assistance services are used to provide management program support in a variety of areas including:

- Data entry and word processing support in the benefits administration area to augment in-house staff resources dedicated to the large volume of correspondence handled on an ongoing basis;
- Management/administrative studies aimed at enhancing productivity, i.e. workload studies and paperwork documentation;
- Financial analysis to assist in the resolution of extremely complex cases pending before the Appeals Board and to assist in the assessment of the viability of plan sponsors;
- Automation of the Corporation management/strategic plan;
- General Accounting Office audit.

A. Consultants and Experts: None in FY 1987

B. Personnel Appointments ($48,000)

b. Advisory Committee Members:

The Advisory Committee to the PBGC was established by the Employee Retirement Income Security Act of 1974, Section 4002(h). The purpose of the Committee is to advise the Corporation as to its policies and procedures relating to (A) the appointment of trustees in termination proceedings, (B) investment of monies, (C) whether plans being terminated should be liquidated immediately or continue in operation under a trustee, and (D) such other issues as the Corporation may request from time to time.

STANDARD FORM 306
June 1968, Bureau of the Budget
Circular No. A-11, Revised.
306-102

PBGC-30

DETAIL OF PERMANENT POSITIONS

	1985 actual	1986 estimate	1987 estimate
Executive level I	-	-	-
Executive level II	-	-	-
Executive level III	-	-	-
Executive level IV	-	-	-
Executive level V	1	1	1
Subtotal	1	1	1
ES-6	-	-	-
ES-5	-	-	-
ES-4	-	-	-
ES-3	-	-	-
ES-2	-	-	-
ES-1	-	-	-
Subtotal	0	0	0
GS-18	-	-	-
GS-17	3	3	3
GS-16	8	8	8
GS/GM-15	34	35	34
GS/GM-14	51	53	52
GS/GM-13	84	84	83
GS-12	62	63	63
GS-11	47	45	46
GS-10	-	-	-
GS-09	37	37	41
GS-08	8	8	7
GS-07	43	43	47
GS-06	33	31	39
GS-05	48	51	34
GS-04	17	14	19
GS-03	11	11	10
GS-02	2	2	2
GS-01	-	-	-
Subtotal	488	488	488
Upgraded	1	1	1
Total Permanent Positions 1/	490	490	490
Unfilled Positions, End of Year	29	20	0
Total Permanent Employment, End of Year	461	470	490
1/ Worker-Trainee Opportunity Program positions included above	(-)	(-)	(-)

THURSDAY, FEBRUARY 27, 1986.

EMPLOYMENT STANDARDS ADMINISTRATION

SALARIES AND EXPENSES

SPECIAL BENEFITS

BLACK LUNG DISABILITY TRUST FUND

WITNESSES

SUSAN R. MEISINGER, DEPUTY UNDER SECRETARY FOR EMPLOYMENT STANDARDS ADMINISTRATION
CAROL A. GAUDIN, DIRECTOR, OFFICE OF MANAGEMENT, ADMINISTRATION AND PLANNING
NANCY L. RICKER, DIRECTOR, DIVISION OF FINANCIAL MANAGEMENT
HERBERT J. COHEN, DEPUTY ADMINISTRATOR, WAGE AND HOUR DIVISION
LAWRENCE W. ROGERS, DIRECTOR, OFFICE OF WORKERS' COMPENSATION
JOSEPH N. COOPER, DIRECTOR, OFFICE OF FEDERAL CONTRACT COMPLIANCE PROGRAMS
MARY ANN WYRSCH, DIRECTOR, OFFICE OF BUDGET, DEPARTMENT OF LABOR

Mr. NATCHER. At this time, we take up the budget request for fiscal year 1987 for the Employment Standards Administration.

We have before the committee Ms. Susan R. Meisinger. And we are glad to have you. Before you talk with us, tell us who you have there at the table.

Ms. MEISINGER. To my far, far right is Mary Ann Wyrsch, Departmental Budget Office; and next is Herb Cohen, Deputy Administrator, Wage and Hour Division; and my Budget Officer, Nancy Ricker. To my immediate left is Larry Rogers, Director of the Office of Workers' Compensation Programs; and to his left, Carol Gaudin, Director of the Office of Management, Administration and Planning. To her left is Mr. Joseph Cooper, who is the Director of the Office of Federal Contract Compliance Programs.

Mr. NATCHER. Thank you very much.

We will be pleased to hear from you at this time.

OPENING STATEMENT

Ms. MEISINGER. I have a brief opening statement.

I am pleased to be here today to discuss the 1987 budget request for the Employment Standards Administration. This request consists of three major parts: one, a salaries and expenses request of $218,976,000 and 3,977 full-time equivalent staff years (FTEs); second, a request for $959,445,000 for the Black Lung Disability Trust Fund; and third, a request for $1,196,600,000 for the special

benefits account, which has been established to provide benefits to Federal civilian employees and their dependents for job-related injuries.

Of the total request for special benefits account, $263,600,000 would be a direct appropriation to the Department of Labor, while $933 million would be reimbursement to the Department from other agencies.

In reviewing our fiscal year 1987 budget request, I know the subcommittee understands that the fiscal year 1986 budget estimates included with our fiscal year 1987 budget request reflect the mandated reductions that ESA will take during fiscal year 1986 pursuant to the Balanced Budget and Emergency Deficit Control Act.

These mandated reductions will total $9,291,000 and 130 staff years, for salaries and expenses; $22,843,000 for special benefits; and $6,618,000 for the Black Lung Disability Trust Fund.

A comparison of our fiscal year 1987 request with the fiscal year 1986 estimate shows a net increase of $13,143,000 and 62 FTEs. But these are not program enhancement increases but increases required to maintain critically needed services and law enforcement operations.

Mr. Chairman, I believe we have made great strides over the past five years to improve program operations. We do twice as many equal employment opportunity compliance reviews as five years ago, and have dramatically improved the timeliness and quality of claims handling, including those offices which have historically been troubled, and have continued to provide the public with a high quality effective law enforcement program.

Moreover, we have done all this during a period of significant financial stringency. We have hard-working, creative and exceedingly dedicated people in our agency. I am convinced if Congress approves the President's budget, we can continue to well serve American workers.

At this point, I will take any questions that you may have, that I or my staff may be able to answer.

[The statement and biography of Ms. Meisinger follow:]

STATEMENT BY SUSAN R. MEISINGER
DEPUTY UNDER SECRETARY FOR EMPLOYMENT STANDARDS
FISCAL YEAR 1987 BUDGET REQUEST
HOUSE APPROPRIATIONS SUBCOMMITTEE

EMPLOYMENT STANDARDS ADMINISTRATION
SALARIES AND EXPENSES
SPECIAL BENEFITS
BLACK LUNG DISABILITY TRUST FUND
FEBRUARY 27, 1986

Mr. Chairman and Members of the Subcommittee, I am pleased to appear before you today representing the Employment Standards Administration (ESA) of the Department of Labor.

The Employment Standards Administration's FY 1987 budget request for Salaries and Expenses is for $218,976,000 and 3,977 full-time equivalent (FTE) staff years. This represents a net increase of $13,143,000 and 62 FTEs compared to FY 1986 levels. These increases are required to maintain critically needed service delivery and quality assurance for our essential program operations.

The Special Benefits fund request for FY 1987 is for $1,196,600,000 of which $263,600,000 is a direct appropriation to the Department of Labor and of which $933,000,000 are reimbursements from other agencies. The FY 1987 Black Lung Disability Trust Fund request is for an appropriation of $959,445,000.

The FY 1986 estimates, included in our 1987 request, reflect reductions pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985 (Public Law 99-177). These reductions are $9,291,000 and 130 staff years for salaries and expenses, $22,843,000 for the Special Benefits account, and $6,618,000 for the Black Lung Disability Trust Fund (BLDTF).

In addition, the FY 1986 estimate reflects funding withheld in the amount of $131,000 pursuant to Section 515 of the Treasury, Postal Service, and General Government Appropriations Act, as referenced in the Full-Year Continuing Resolution for 1986 (Public Law 99-190).

In FY 1986, we will continue to place priority on the delivery of efficient and effective services to the public by continuing measures that will reduce or contain overall expenses and increasing attention to productivity improvement in conjunction with the Administration's productivity goals.

The remainder of my statement will address our 1987 request.

Enforcement of Wage and Hour Standards

A total of $76,058,000 and 1,427 FTEs is requested for the Wage and Hour Division to enable the program to respond to complaints on a timely basis and further promote voluntary compliance.

We will continue vigorous enforcement of the wide range of laws that establish standards for wage and working conditions covering virtually all private employment. Our major objective is to achieve compliance by employers through direct enforcement activities and by promoting voluntary compliance. Approximately 79,000 compliance actions will be completed under the wage and labor standards mandates, including the Fair Labor Standards Act, Government Contracts labor standards, and the Migrant and Seasonal Agricultural Worker Protection Act. We continue to support a Youth Employment Opportunity Wage bill as a vehicle for creating new summer jobs for young people. That will help them get the initial work experience so vital for their future employment and earnings.

Federal Contractor EEO Standards Enforcement

A total of $45,935,000 and 910 FTEs is requested for the Office of Federal Contract Compliance Programs (OFCCP) to enable the program to increase compliance reviews, eliminate complaint inventories, and service complaints on a timely basis.

We will continue to fulfill our mission to assure equal employment opportunity by Federal contractors by enforcing the contractual obligations imposed under Executive Order 11246, Section 503 of the Rehabilitation Act of 1973, and 38 U.S.C. 2012. Continued emphasis will be placed on fostering voluntary compliance and maintaining quality control measures. Over 5,000 compliance reviews will be conducted under the Executive Order and the handicapped and Vietnam veterans' mandates. Complaint servicing will be maintained at normal pipeline levels through the completion of approximately 1,000 complaint investigations and resolutions.

Federal Programs for Workers' Compensation

In the Workers' Compensation programs, we will continue to improve the responsiveness and efficiency of all compensation programs. Special emphasis will be placed on quality claimant service, as well as controlling costs and vulnerability to fraud, waste, and mismanagement.

Federal Employees' Compensation Act

A total of $51,634,000 and 913 FTEs is requested to administer the Federal Employees' Compensation Act (FECA) program and enable the program to reduce claims inventories and assure that payments are being made properly.

Implementation of the Level II Federal Employees' Compensation System and its installation in each district office and at the National Office is now scheduled during FY 1987. Special attention will continue to be given to expanded rehabilitation and reemployment of claimants and debt collection activities.

Longshore and Harbor Workers' Compensation Program

A total of $6,912,000 and 144 FTEs is requested for the Longshore and Harbor Workers' Compensation Program to increase the accuracy and timeliness of claims processing activities.

Emphasis will be on improving claims processing and adjudication services. The program will continue the comprehensive technical assistance program for employers, insurance carriers, and covered employees. In FY 1987, the automated case management system, which will be fully operational in all district offices, is expected to improve program productivity.

Black Lung Program

Resources requested for the Black Lung Program are for $24,622,000 and 372 FTEs to enable the program to effectively manage the established caseload. The basic objectives of the Black Lung Program continue to be the timely and accurate determination of eligibility, the prompt delivery of appropriate benefits and medical services to beneficiaries, and support for the processing of hearings and appeals.

Executive Direction and Support Services

A total of $13,815,000 and 211 FTEs is requested to provide vital support to the major program activities. This activity will continue to provide efficient and effective overall policy development and executive direction in support of ESA's operational programs nationwide. Major attention will be devoted to the Governmentwide productivity improvement goals. EDSS will also continue implementing the Agency's five-year ADP plan for developing an agency-wide management information system.

Conclusion

Mr. Chairman, this concludes my formal statement. The budget request reflects our continuing commitment to protect the interests of workers while keeping the costs for the delivery of these services as low as possible. My staff and I will be pleased to answer any questions which either you or members of the Subcommittee may have.

Biographical Sketch

SUSAN R. MEISINGER

Deputy Under Secretary for
Employment Standards

Employment Standards Administration
Department of Labor

Susan R. Meisinger was appointed Deputy Under Secretary for Employment Standards in February 1984.

Prior to becoming Deputy Under Secretary for Employment Standards, Ms. Meisinger was Executive Assistant to the previous incumbent of that position. Ms. Meisinger served as a special legal counsel for the Associated Builders and Contractors in Washington, D.C. before coming to the Department of Labor in August 1981. In this capacity, she acted as staff liaison with Federal agencies involved in construction, procurement, energy development, and labor-management relations. She was responsible for matters relating to the Equal Employment Opportunity Commission, OFCCP, the Service Contract Act, and the Davis-Bacon Act.

Ms. Meisinger received a B.A. Degree from Mary Washington College in Fredericksburg, Virginia, and a J.D. degree from the National Law Center of George Washington University in Washington, D.C. She is a member of the District of Columbia Bar Association and the American Bar Association.

ESA TOP LEVEL POSITIONS

Mr. NATCHER. Do you have any vacancies in the top jobs in your agency at this time?

Ms. MEISINGER. Yes, sir. The Wage and Hour Division Administrator position is vacant. The President has sent forward a nomination which is pending in the Senate. We hope there will be confirmation shortly.

Mr. NATCHER. How many political appointees does your agency have?

Ms. MEISINGER. I will have to double-check.

Within my immediate office, there are four; and approximately 14 or 15, I believe, sir. But I can submit that for the record.

Mr. NATCHER. All right.

[The information follows:]

POLITICAL APPOINTEES

The Employment Standards Administration has a total of eleven political appointees, including myself.

MANAGEMENT IMPROVEMENTS

Mr. NATCHER. Have you made any significant operational or management improvements in the agency during the past year?

Ms. MEISINGER. We are constantly working to do so. Most recently, one of the changes that we have undertaken is within the Office of Federal Contract Compliance Programs where we are moving to streamline the national office operations by eliminating a division and collapsing it into another division. Otherwise, none jump immediately to mind beyond the day-to-day efforts to increase and streamline productivity.

APPROPRIATION REQUEST

Mr. NATCHER. You are requesting $218,976,000 for salaries and expenses in 1987, including trust funds, an increase of $13,143,000 over the 1986 revised level.

How much is your salaries and expenses budget reduced in 1986 by Gramm-Rudman?

Ms. MEISINGER. $9,291,000, sir.

Mr. NATCHER. How much of that amount is restored in the 1987 budget?

Ms. MEISINGER. The entire amount, sir.

Mr. NATCHER. You are losing 130 full-time equivalent staff in 1986 because of Gramm-Rudman.

How many of those do you get back in 1987?

Ms. MEISINGER. Sixty-two.

Mr. NATCHER. Of the total program increase for 1987, of $10,624,000, how much represents an actual increase over the original 1986 appropriation?

Ms. MEISINGER. I believe approximately $3 million, sir.

GRAMM-RUDMAN-HOLLINGS REDUCTIONS

Mr. NATCHER. All right.

If you will, tell the committee what effect the Gramm-Rudman reduction will have on your agency generally during 1986.

Ms. MEISINGER. During the remainder of the year, we have a hiring freeze in place. We are currently looking at attrition to determine what the exact impact will be on our staffing levels; we are hoping to reduce.

We may, indeed, depending on the attrition rate, be faced with a situation requiring some furlough time. Within the Wage and Hour Division, we anticipate approximately 2,700 fewer compliance actions being conducted than initially anticipated, and approximately 700 fewer complaints actually resolved.

Within the Office of Federal Contract Compliance Programs, we anticipate that we will do 310 fewer investigations than we had originally anticipated. And there will be some slight increase in the complaint inventory, although it is not in my mind troublesome.

In the Office of Workers' Compensation Programs, we anticipate some slowdown in processing time of our claims, and we are adjusting our performance standards in anticipation of that. These are just projections.

One of the things that we are doing to deal with the impact of Gramm-Rudman is the hiring freeze which will result in attrition, and we cannot project out exactly where the attrition will take place, but it is something that we are going to be looking at on a month-to-month basis.

Mr. NATCHER. Will any of your employees have to be furloughed in 1986 due to Gramm-Rudman?

Ms. MEISINGER. I am not positive, it is dependent on our attrition rate in large part. But it is possible, yes.

Another impact of Gramm-Rudman, that Mr. Rogers was kind enough to point out to me, is the provision in the Act which calls for sequestration of a piece of the budget that applies to medical bill payments in the Federal Employees Compensation Act area.

What that means is that we have to reduce the amount we spend on reimbursements of medical expenses by roughly seven percent. To do that, we have in place a computer program that basically will reduce the medical bill payments by 7.37 percent, before the bill is sent out to the medical provider, or to the person where there is a reimbursement. We expect this will create some level of interest in the medical community as well, but we don't see that we have an alternative.

Mr. NATCHER. How were the Gramm-Rudman reductions computed for your entitlement accounts, the special benefits account and the Black Lung Trust Fund?

Ms. MEISINGER. The only area—and I may ask Mr. Rogers to help me out—the only area where we really are impacted is in the medical bill area. We do not anticipate a problem in the Longshore program. In the Black Lung Program, because of drawdown authority and finances available, we do not believe we will have a problem. But the FECA medical bill reduction is where we may have a problem.

Ms. RICKER. The special benefits account is also reduced because there will be no COLA increase in 1986. The budget was reduced by $15 million for that.

PRODUCTIVITY SAVINGS

Mr. NATCHER. The budget proposes a reduction for 1987 of $2,149,000 and 82 full-time employees for "savings achieved through productivity improvements."

How do you arrive at these figures? Is this an arbitrary reduction, or what did you do to bring it about?

Ms. RICKER. It is a one percent reduction that we have taken in actual resources to be offset by improved productivity on the part of staff. It was the feeling that we could reduce the dollars and the staffing by the one percent and achieve increased productivity during the year.

Mr. NATCHER. Mr. Conte, I yield to you.

RESTORATION OF GRAMM-RUDMAN-HOLLINGS REDUCTIONS

Mr. CONTE. I would like to welcome you back to the subcommittee Ms. Meisinger.

On a number of issues over the past year, you have been in what would seem to be a hot seat. I promise you that we won't make it too hot for you today, since what we are dealing with is the cold, hard reality of dollars and cents, or more precisely, the lack thereof.

I have asked this question before to some of your colleagues. If Gramm-Rudman-Hollings is the road we are going down, over my opposition, we are not going to get there if every agency restores its fiscal year 1986 cuts and then asks for more.

You are asking for an increase of $13.1 million over the 1986 post-sequester level, and $2.8 million over the 1986 enacted appropriations.

Why, out of all the worthy programs in the Department of Labor and across the Federal Government that are being asked to take cuts, should your agency be one of the few to be restored and padded from Gramm-Rudman-Hollings?

Ms. MEISINGER. In the first place, the President's budget as a whole reflects the effort to reduce the deficit. I believe the funding levels reflect a commitment to the programs that we administer within the Employment Standards Administration: the protection of the minimum wage rights of workers throughout the country and the rights to receive prevailing wages on Federal contracts as determined by Congress, the commitment of the Administration to the enforcement of civil rights laws within the Office of Federal Contract Compliance Programs, protecting the rights of the handicapped, veterans, minorities, women, others who may work for Federal contractors, and, in the Office of Workers' Compensation Programs, a reflection of the need for prompt processing of claims for those Federal employees who have been injured on their job or those who are victims of a disease as a result of working in the mines.

I think the budget reflects the commitment to those three programs.

Mr. CONTE. I have no qualms with that. I believe in all of those programs. You are missing my point.

How about the poor Coast Guard and the poor FAA, the air controllers and the IRS, all worthy programs; but if they all come in

and take their sequester of 4.3 percent cut and then put it in back here with some plus——

Ms. MEISINGER. I believe it is a presidential——

Mr. CONTE. Wouldn't it be more honest to just repeal Gramm-Rudman-Hollings-Hastings—whoever he is?

Ms. MEISINGER. I will leave that to your judgment.

EXECUTIVE ORDER PROGRAM

Mr. CONTE. I am one of the guys who brought suit against those alphabet guys.

With regard to the Office of Federal Contract Compliance Programs, which administers Executive Order 11246, currently under debate by the President's Cabinet, it would be useful to get an update on just how wide the reach of this program currently is.

How many firms are currently covered by the prohibition against discrimination by Federal contractors, and how many workers does this represent? And would you have a feel for what percentages of total number of firms and workers this would be?

Ms. MEISINGER. I believe that the number of Federal contractors, those firms that are required to prepare written affirmative action programs, number about 15,420 corporations with Federal contracts of $50,000 or more and 50 employees, with separate establishments at about 73,000 locations. There are also approximately 100,000 construction contractors.

The number of construction contractors is a moving target for us and a difficult one, because there is such a universe of subcontractors and no data base.

We estimate at those firms that must prepare and implement a written affirmative action program, there are 23 million employees.

As to the overall universe within the marketplace, I don't have an answer. I would have to ask the number crunchers back in the office to look at it, and get back to you. But it is a large percentage of the employment community that have Federal contract involvement.

[The following was provided for the record:]

FEDERAL CONTRACT COMPLIANCE UNIVERSE

The total number of contractors covered by the Office of Federal Contract Compliance Programs (OFCCP) are as follows:

About 123,000 service and supply establishments are subject to the basic requirements of the Executive Order. The number of corporations required to maintain written affirmative action programs total 15,420. These companies operate 73,046 establishments.

Among construction contractors, 42,000 have direct Government contracts. Another 100,000 have subcontracts or federally assisted contracts.

A total of 21,000,000 employees are covered by the OFCCP authorities.

Mr. CONTE. First time I ever heard that, "number crunchers."

Do all of these firms covered by the Executive Order file affirmative action plans with the OFCCP?

Ms. MEISINGER. The regulations require Federal contractors of a certain size—that is, those with $50,000 contracts and 50 employees—to prepare a written affirmative action program. The agency does not actually see those programs unless and until that contrac-

tor is selected for an audit, at which time we request that they submit it to us for review prior to our doing an on-site investigation.

Mr. CONTE. Do any of these plans contain quotas?

Ms. MEISINGER. I hope not, sir. If they do, they are not mandated by our regulation.

Mr. CONTE. I see.

What is the problem with the current Executive Order?

Ms. MEISINGER. It is the subject of some ongoing debate, and I would prefer not to enter into the debate because it is being engaged in at levels much higher than myself.

Mr. CONTE. I bet you could give us a better answer.

Assuming there is a change in the Executive Order within the parameters of the current Cabinet discussions, presumably that would decrease the budgetary needs of OFCCP, would it not?

Ms. MEISINGER. I am not willing to make any kind of assumptions about what may or may not happen, sir.

Mr. CONTE. I am assuming it is going to happen.

Ms. MEISINGER. I can't predict, because a change in the Executive Order does not equate with a lack of commitment to the enforcement of the nondiscrimination and affirmative action obligations of Federal contractors.

GARCIA DECISION

Mr. CONTE. All right.

I see in your budget that you are asking for 10 additional FTEs to provide for increased workload related to the Garcia decision, holding that State and local employees were subject to the Fair Labor Standards Act, and presumably also related to the congressional response, which amended the FLSA, and was enacted into law at the end of the last session.

What are the new responsibilities of the Wage and Hour Division now that the dust has settled?

Ms. MEISINGER. Well, the dust hasn't quite settled because we are in the process of drafting implementing regulations, and we hope to get a proposal on the streets within the next four weeks.

The Department of Labor now has responsibility for investigating complaints that it may receive arising from State and local government employees, where heretofore we would not have jurisdiction.

We don't really have experience in knowing what level that complaint intake would be except for a short period subsequent to the 1974 amendments, and based on that experience we have the projection of about 10 FTEs necessary to handle that complaint workload.

Mr. CONTE. Even though you say you are asking for an additional 10 FTEs for this purpose, when you net out all the other reductions for "productivity," and so on and so forth, you are still 1 FTE less than the post-sequester 1986 level, 19 under the 1986 appropriated level, and 50 under the fiscal year 1985 level.

Does this really give you the resources to handle this new responsibility?

Ms. MEISINGER. Yes, we believe it does. I believe it does.

Mr. CONTE. It's quite a track record.
Somebody working overtime?
Ms. MEISINGER. If they do, they get paid.

BLACK LUNG DISABILITY TRUST FUND

Mr. CONTE. With regard to the Black Lung Disability Trust Fund, I presume we are still in the same situation, with receipts coming into the trust fund not sufficient to cover costs, and with continued borrowing from general revenues necessary to make up the difference.

How much is assumed in this budget for fiscal year 1987 to be borrowed from general revenues for the Black Lung Trust Fund?

Ms. MEISINGER. First, I would like to say we are not exactly in the same situation. A year ago, I quoted the deficit number to be about $2.5 billion. It is now up to about $2.8 billion, because we continue to have to borrow, because there has not been any increase in the tax revenue as had been proposed.

If I might submit for the record the actual dollar amount—$448 million in 1987.

Mr. CONTE. With this additional borrowing, what will the accumulated debt of the Black Lung Trust Fund be?

Ms. MEISINGER. $3.7 billion.

Mr. CONTE. You are still projecting that, under current program, the accumulated deficit by the year 2000 will be something like $30 billion?

Ms. MEISINGER. We have not really done the model in the wake of some late developments related to the oil industry and what the impact of the drop in oil prices may be in the coal industry.

PROPOSED COAL TAX INCREASE

Mr. CONTE. The fiscal year 1985 reconciliation bill, which is still in a coma as we speak, had an increase in the coal tax in the House bill from $1 to $1.50 per ton on underground coal, but the conference agreement cut that back to $1.10.

Is that correct?

Ms. MEISINGER. Yes.

Mr. CONTE. Is that increase sufficient to make a marked improvement in the state of the trust fund?

Ms. MEISINGER. It will make some improvement, but there is a provision within that bill that provides for forgiveness of the debt for some period, or interest on the debt. That is a shifting of responsibility to the general revenues, and therefore to the general taxpayer, as I see it.

Mr. CONTE. I am with you on that.

I gather by your tone that you would oppose that?

Ms. MEISINGER. Sure.

Mr. CONTE. It is a hidden subsidy.

Ms. MEISINGER. About $2 billion over five years.

Mr. CONTE. Thank you, Mr. Chairman.

Mr. NATCHER. Mr. Stokes.

Mr. STOKES. Thank you, Mr. Chairman.

I would like to go back to your comments to Mr. Conte that you prefer not to get into the raging debate. As Administrator of the Federal Contract Compliance Program, aren't you dealing with policy?

Ms. MEISINGER. I am sorry?

Mr. STOKES. Aren't you dealing with policy as Administrator of that office?

Ms. MEISINGER. Yes, sir.

Mr. STOKES. To that degree, you have to be involved in the debate, don't you?

Ms. MEISINGER. I am aware of the ongoing debate, yes.

Mr. STOKES. Well, do you not have to participate at some level, if you are administering policy?

Ms. MEISINGER. A very low level, sir.

Mr. STOKES. What is the current policy position of the Department of Labor regarding the enforcement of Executive Order 11246?

Ms. MEISINGER. Current policy is to enforce those regulations that are currently out there and binding on Federal contractors by virtue of their inclusion in Federal contracts.

Mr. STOKES. Okay.

Ms. MEISINGER. And enforce the regulations vigorously.

Mr. STOKES. With reference to Mr. Meese's assertion that goals are being substituted for quotas, are you aware of any quotas required under your regulations?

Ms. MEISINGER. We have never enforced a requirement that contractors meet a quota, that I am aware of.

Mr. STOKES. Recently, Congressmen Hawkins and Edwards wrote a letter to Mr. Meese, in which they asked for a copy of the litany of cases, which he claims to have, proving that quotas, rather than goals, were used by the OFCCP. They have not received any reply from him.

But, for the record, are you aware of those cases to which he referred?

Ms. MEISINGER. I believe there are a number of conciliation agreements and that he had some concern about the language of the agreements. But I am not familiar, closely familiar, with the individual facts in those cases.

Mr. STOKES. Is it possible for you to provide for the record those cases?

Ms. MEISINGER. I am not sure, but I will see.

[The information follows:]

LITIGATION CASES

The Employment Standards Administration received a similar request from Congressman Hawkins, Chairman of the House Committee on Education and Labor. We would like to provide this Committee with the information we provided to Mr. Hawkins. It is our understanding that the Department of Justice will be making the litigation cases available for inspection by the Education and Labor Committee staff. Your staff may wish to consider contacting the Department of Justice, Office of Legislative and Intergovernmental Affairs to discuss the scheduling of such an inspection for your Committee.

Mr. STOKES. All right.

Now, the budget documents that you submitted to us refer to the promulgation of revised regulations implementing Executive Order 11246.

Can you tell us specifically what changes to the existing regulations are being recommended by the Labor Department, and what changes are being recommended by the Justice Department?

Ms. MEISINGER. There is currently pending a regulatory proposal that is awaiting finalization. That has been held somewhat in abeyance pending the resolution of ongoing discussions. There is no Department of Labor or Department of Justice regulation to date, but we anticipate some time in 1986 we will promulgate those regulations.

I believe our regulatory agenda has December of 1986 as the finalized date. But I wouldn't want to be held to that date.

Mr. STOKES. OFCCP was without a permanent Director for a long period of time, although I understand a new Director recently has been appointed.

Can you tell us whether you believe that in this interim period enforcement activities have suffered?

Ms. MEISINGER. Mr. Cooper, who is to my far left, has been onboard for approximately seven months. During the interim when there was no full-time Director appointed, I was Acting Director so I have a biased view on the level of enforcement.

There was no reduction in the commitment to enforcement of the Executive Order, and I think that our performance statistics for fiscal year 1985, where we have the highest number of investigations in the history of the program since consolidation, bears that out.

OFFICE OF INSPECTOR GENERAL REPORT

Mr. STOKES. The September 1985 report of the Department of Labor's Office of Inspector General, entitled "OFCCP,—Can Do More Enforcement And Have Greater Impact Using Fewer Dollars"—criticized the Office of Federal Contract Compliance for ineffective, untimely and uneconomical enforcement procedures.

Specifically, the report cited a weak contractor selection process, inadequate tracking and evaluation of contractor progress reports, and an ineffective pre-award review system. And the IG Office also concluded OFCCP had excess overhead, large numbers of staff at high grades, and an inefficient field structure.

Can you comment on that report for us?

Ms. MEISINGER. Certainly. If I might I will also submit for the record a full response that we submitted to the OIG.

A number of the issues that the Inspector General raised about the agency were things that we had been aware of and had begun taking some action to remedy. A lot of the overhead structural issues that they raised were issues that resulted from the 1978 consolidation in the Department of Labor of the Contract Compliance Program, where that structure was created in large part to support the staff that were coming together. We are winnowing away over time with attrition to build an organizational structure targeted towards the enforcement program that we have before us rather

than the employment statistics that we have, the people that we have onboard.

The pre-award issue, they suggested that we should not do pre-award reviews, and that is something in the regulatory proposal which is pending.

In reference to the contractor selection system, within the last few months, we have re-issued our contractor selection system and we feel confident that it is a good system that gives us integrity in how we go about selecting contractors.

Those are some of the highlights, and I would like to submit that formal response to you for your information.

Mr. STOKES. I would appreciate it if you would submit that for the record.

[The information follows:]

U.S. Department of Labor

Deputy Under Secretary for
Employment Standards
Washington, D.C. 20210

FEB 10 1986

MEMORANDUM FOR: J. BRIAN HYLAND
Inspector General

FROM: SUSAN R. MEISINGER
Deputy Under Secretary

SUBJECT: OIG Report on OFCCP

Attached is the ESA response to the OIG final report on OFCCP dated September 30, 1985. As I stated in my May 29, 1985 and my September 13, 1985 memoranda on this subject, I have long been aware of the cited deficiencies prior to the receipt of your report. Many of the deficiencies were corrected prior to or shortly after your report was issued. Other deficiencies were already being corrected but the remedial actions have not been completed. Still other deficiencies require regulatory change. ESA has surfaced various functions needing change and has responsibly addressed the major issues prior to citation in your report. We will continue with the implementation of needed corrective actions which are currently underway.

Mr. Joseph Cooper, the Director of OFCCP, will be the responsible official for the implementation of the corrective actions to be undertaken. While we will make every effort to implement corrective actions in the time frames specified, budget uncertainties may impact our ability to do this.

I appreciate the assistance given to the ESA Task Force by Jerry Subkow, the Director, Division of Administration, Benefits, and Regulatory Compliance, OIG Audit Office. The Task Force report is also being submitted in this package as Attachment 2 for your information.

Please advise me if you have any questions.

Attachments

ESA's Comments on the OIG Report Entitled
"OFCCP Can Do More Enforcement and Have Greater Impact
Using Fewer Dollars"

OBJECTIVE, SCOPE AND METHODOLOGY - Page 6

It is ESA's understanding that the findings in the report are an extrapolation of findings concluded from surveying one region only. Subsequently these findings were projected to all regions with recommendations for all regions based on the selected findings. It should be stressed that several management problems were specific to the sample region only. The OIG acknowledges this but continues to take the view that "single region" findings are an adequate basis for projecting operations in all ten regions.

FINDINGS, CONCLUSIONS AND RECOMMENDATIONS
SECTION I
ORGANIZATION AND STRUCTURE

A. EXCESS OVERHEAD - Page 8

ESA management has been concerned with reducing management and administrative support to field enforcement staff ratios for several years. To this end, we have taken several significant actions. We have established a 1:7 Module Chief to EOS/EOA ratio goal for FY 1986. We expect to meet this goal in FY 1986. Our FY 1985 and FY 1986 budgets call for reducing National Office and Regional Office staffing. The OFCCP National Office staffing will be reduced by approximately 24 positions by the end of FY 1986.

All these initiatives must be accomplished according to OPM position management and position classification guidelines and OPM procedures.

Thus, while OFCCP is fully aware of the problems cited and has taken several significant steps to address the issue, the report does not adequately acknowledge our corrective action plans.

ESA management has recognized overhead problems caused by consolidation and the 1982 RIF and has implemented corrective action programs in accordance with OPM procedures. In addition OFCCP has reviewed the National Office structure for reorganization and position change. The National Office will reorganize and combine the Divisions of Policy and Program Analysis and Review. The Division of Program Operations is being reviewed to consolidate activities. The result of the merger proposed

for FY 1986 is expected to result in an OASAM approved staffing pattern and organizational structure. The effect of this will be the reallocation of clerical positions necessary to support the program activities.

The OFCCP Director has initiated a review of the regional office structure.

The area offices have been reviewed under the 360 classification process and as a result the span of control for supervisors has been increased. The effect of this is to limit the number of modules and area offices. These changes will result in fewer supervisors and to the extent staff hiring is permitted, more EOSs.

B. LARGE NUMBER AT HIGH GRADES - Page 15

The report does not adequately address management efforts in this area. Our plan to implement the GS-360 series has been approved by OPM. (A copy of the final plan is Attachment 1). The plan addresses all GS-360 positions, not just field positions, as the report states. The report also recommends that average grades be reduced in the National and Regional Offices and that unwarranted grades be reduced in Area and Field Offices. Grades cannot arbitrarily be reduced by management. Positions are graded in accordance with OPM classification guidelines.

The plan for implementing the GS-360 series has been finalized after numerous classification audits and extensive study. The interim steps taken by management while the plan was being developed were explained in detail to the OIG. The final report is now being implemented.

The report, then, should have reflected that OFCCP has implemented a plan based upon extensive analysis and has OPM approval to deal with its grade structure.

The implementation of the 360 standards will reduce the journeyman grade from a GS-12 to GS-11. This will be implemented during the 2nd and 3rd quarter, FY 1986.

As mentioned in the response to "excess overhead" the National Office is being reorganized with the assistance of the ESA personnel office and OASAM. The result will be consolidation of activities and elimination of unsupportable positions by position management redesign methods. This activity will be implemented during FY 1986.

As a result of the proposed reorganization of the National Office, overhead positions will be reduced. It is anticipated that the merger of the Division of Policy and the Division of Program Analysis and Review will result in the elimination of a number of GM positions and the elimination of a number of branches and sections. In addition, the Director is presently reviewing the Division of Operations for further consolidation.

C. INEFFICIENT FIELD STRUCTURE - Page 19

Two major recommendations were made by the OIG in this area:

--Reduce the size and grade structure in small regions.

--Co-locate regional office staff, area offices or field offices to produce economies.

It has not been determined that the first recommendation reducing the size and grade structure in the small regions is feasible and more importantly productive. This issue, is addressed by the GS-360 implementation plan discussed above. It should also be noted that the current grade structure in the small regions is different from the grade structure in the larger regions.

The second recommendation on co-location addresses an ESA initiative that has been on-going for years. Several ESA offices have been co-located in the past and this initiative is continuing in all locations where GSA has appropriate facilities and where it is desirable from a cost/benefit standpoint.

A third recommendation to make the four smallest regional offices satellites of the larger regional offices will not be implemented at this time. OFCCP will evaluate this recommendation in the future in concert with the Department as a whole.

D. DUPLICATION AND OVERLAP - Page 21

The report recommends consolidations within the Division of Program Policy and between the Divisions of Program Policy and Program Analysis and Review. It also recommends reducing National Office staff and National Office involvement in day-to-day program operations. Further, the report states:

> "Rather than routinely duplicating field functions, the National Office could concentrate on providing policy guidance to the regions and become only selectively involved with those conciliation agreements related to large multi-regional contractors, substantial back pay or unique or novel issues."

OFCCP presently operates in this manner. As far as recommendations on further consolidations and reductions in the National Office, reductions in National Office staffing are being accomplished with full consideration of the optimal National Office structure. As appropriate, functions which are eliminated from the National Office workload will be assigned to the Regions.

OFCCP will reorganize the Division of Policy in FY 1986 with an interim organization leading to an ultimate organization that has only two branches in the Division of Policy instead of three. The interim organization and ultimate organization are presently being developed for review and approval by OASAM. The ultimate organization will result in less staff, and a better supervisory ratio.

The Division of Program Analysis and Review and the Division of Policy are related in terms of their mission and functions. By combining these Divisions, OFCCP would reduce the supervisory ratio and create a more efficient and effective program.

The Director has decided to merge both divisions in FY 1986 and eliminate the SES position that serves as the Assistant Director of Program Analysis and Review. In addition, the ultimate structure, like that of the Division of Policy, will be consolidated into two branches. The title of the new division will be the Division of Policy and Program Review. The organizational structure will be sent to OASAM for review and approval.

E. REDUNDANT LAYERS OF REVIEW - Page 23

AOD and Module Chief performance standards have had quality elements since at least FY 1982. Percentages of rejected items by higher reviewers were removed from the standard because the number of items sent to higher reviewers was so small that the percentages were meaningless. The OIG, however, recommends that percentages of rejected items be included in the quality standards again while at the same time recommending that levels of review be further reduced.

The Director is considering the delegation of National Office Review of Conciliation Agreements to the field and will make a decision in the fourth quarter of FY 86.

Resolution of this problem is also linked to restructuring of the regional and national office staffs. In addition, delegation of additional authority to field offices is contemplated. However, a balance must be achieved between the delegation of responsibilities and retention of sufficient control to assure consistent quality and productivity.

ESA agrees that the following recommendations are useful ones:

--Develop policies which encourage and permit decision making at the lower possible level.

--Place responsibility for quality casework clearly on the area and field office.

--Give the Area Office Directors (AODs) more signature authority and responsibility commensurate with their grade and pay.

--Continue to measure the quality casework through the use of quality standards of the AOD and module chiefs performance standards.

--Eliminate mandatory escalation of cases to regional and national offices and allow for AOD judgment in forwarding particularly intricate and sensitive pending case actions to the regional office for regulatory interpretation or assessment of legal sufficiency.

Management is considering which responsibilities may be delegated from the National Office to Regional Offices, and from regional offices to area offices without compromising reasonable control and quality assurance or the right of protected parties or respondent contractors to reasonable review of agency decisions at the highest level.

F. INADEQUATE STAFF TIME REPORTING - Page 27

The OFCCP does not require a clerical or managerial activity tracking system in order to be aware of staffing issues in Regional and National Offices. The OFCCP has been cognizant of administrative over-staffing for some time and has taken several corrective actions in this regard. Additionally, ESA reporting systems provide management with staffing and FTE utilization in all areas on a monthly basis.

In 1983, the Division of Internal Management Control (DIMC) OMAP, conducted a survey of EOS on-site visits. Their survey report found that the "Time Distribution Report" (DL-291) was of very little value in the verification of on-site reviews and EOS travel. It found that since the DL-291 (PAS) codes were "task oriented", the time spent on the on-site visits or travel could not be identified. It also found that the 291 was not contractor related.

They recommended replacement of the DL-291 with some type of reporting system for EOSs that would be contractor based which would break down the EOS' time by function and would identify such items as on-site visits and travel.

This recommendation was adopted and resulted in the CC-56 being put in place on October 31, 1984. A follow-up review by the DIMC found the CC-56 an excellent reporting, and management planning tool. We have been planning enhancements to the system, including automation, within the next fiscal year.

It is not feasible to establish a general time reporting system for all OFCCP personnel at the National Office and Regional Office that is contractor or compliance review related.

The OFCCP does not require a clerical or managerial activity tracking system in order to resolve staffing issues in National and Regional Offices. The OFCCP has been cognizant of administrative over-staffing for some time and has taken several corrective actions in this regard. Additionally, ESA reporting systems provide management with staffing and FTE utilization in all areas on a monthly basis.

A telephone survey was conducted on August 2, 1985 of three enforcement agencies in DOL and four enforcement agencies outside of DOL. Six agencies reported that activity tracking was done only for enforcement personnel. Enforcement personnel were generally defined as compliance officers in the field. None of the agencies tracked clerical or managerial time by activity. One agency did no activity tracking of anyone. There are many checks for productivity of management and support staff used by OFCCP that do not require hourly time reporting - program plan performance, accountability reviews and performance standards.

SECTION II

ENFORCEMENT PROCEDURES - Page 29

A. CONSTRUCTION CONTRACTOR UNIVERSE IS HIGHLY INCOMPLETE - Page 30

OFCCP has taken several major steps in improving the data available to Area Office Directors, including providing FPDS information on a quarterly basis, pursuing research on the usefulness of Dodge information, initiating a comprehensive field survey and proposing regulatory reform.

OFCCP published in December 1983 a report entitled "Construction Contractors Data Systems" that contained recommendations most of which have been implemented and respond to many of the OIG concerns:

(1.) The Federal Procurement Data System (FPDS) with federal construction contract information is sent to area offices quarterly.

(2.) OFCCP has been pursuing research on Dodge Reports recommended by OIG but has not yet determined how to utilize them efficiently since the reports give only location, prime contractors, and construction to begin within the next 60 days. They do not give size of work force (a prime contractor may only have two employees) names of sub contracts nor do they specify whether the work is federal or federally assisted.

(3.) Federal administering agencies have been contacted as recommended by OIG but they do not have the required information.

(4.) Local field offices are determining subcontractors of prime contractors.

(5.) Many local crossmatches of the data area are being done manually for scheduling purposes.

OFCCP is presently engaged in trying to computerize the selection system in construction. This is difficult because of the severe limitations of the data necessary to building the system - 257's only cover some areas, and FPDS and Dodge only include prime contractors.

OFCCP has proposed new regulations to require nation wide reporting of 257 forms on a quarterly basis.

B. WEAK CONTRACTOR SELECTION PROGRESS AND DOCUMENTATION OF SELECTIONS - Page 34

Construction Compliance Information System (CCIS). The CCIS was an automated data processing system which was operated for OFCCP under contract. When the contract for the system was terminated, the system was discontinued because it was inefficient.

OFCCP is certainly aware of limitations in data available for scheduling construction reviews and has taken several significant and positive steps in this area.

The report indicated that inappropriate scheduling decisions were made by the Area Directors. We strongly question this conclusion since the findings were based on problems discovered in one region only.

The report concludes that contractors exempt from reporting are not considered for selection and that noncompliance with reporting is seldom discovered. There is no evidence that this is a problem except in one area office of the area offices visited by the OIG.

Nonconstruction Contractor Selection System

The OFCCP nonconstruction contractor selection system is known as the Equal Employment Data System (EEDS) not the NCSS.

New procedures for nonconstruction (EEDS), contractor selection have been initiated as a result of the OFCCP review in 1983. This will resolve most of the concern identified by OIG. These new procedures were issued October 2, 1985.

OFCCP has recently issued instructions reiterating the requirements to ensure selection documents are prepared and become part of the case file. This will be a part of in our compliance accountability reviews.

To encourage selection of construction contractors from outside present reporting areas OFCCP will issue a directive to encourage area offices to use local newspapers, quarterly reports on highway construction, trade magazines and other possible sources that may be helpful.

C. INADEQUATE TRACKING AND UNTIMELY EVALUATION OF CONTRACTOR PROGRESS REPORTS - Page 40

It should be noted that OFCCP does have provisions in its manual which state that progress reports must be monitored within 15 days and that, when a contractor is found to have violated a conciliation agreement, a notice of alleged noncompliance is issued. Additionally, the monitoring of progress reports is reviewed during the accountability review process to ensure that these procedures are being followed. When it is found that these procedures are not being followed, corrective action is required.

OFCCP will insure that the accountability review procedures manual contains a section to insure there is mandatory review of agreements. The Director will issue guidance and procedures to the field to emphasize this concern. This will be accomplished by the 3rd quarter FY 86. OFCCP will also evaluate the possibility of computerizing the monitoring methods to reduce manual identification requirements.

D. PREAWARD REVIEW SYSTEM IS INEFFECTIVE - Page 42

Elimination of preawards has been addressed in a regulatory proposal.

SECTION III
PROGRAM RESULTS

A. NO SYSTEM IS IN PLACE TO EVALUATE PROGRAM RESULTS - Page 44

ESA very much shares with the OIG the concern that we should know the impact of the OFCCP program.

OFCCP recognizes the benefits in measuring the impact of its programs on the employment of minorities and women. Using EEO-1 reports as a data base, previous studies all reached basically the same conclusion--that affirmative action had a positive effect on the unemployment and promotion of minorities and women.

However, each of these studies was criticized in that although the existence of several variables were cited (the economy, changing social conditions, emerging technologies, etc.), such variables were not considered in the statistical study. While OFCCP agrees that inclusion of all such determinates is desirable, and perhaps necessary to conclusive findings, the agency is not confident such an exhaustive consideration of factors can be reliably accomplished.

OFCCP plans to conduct further studies to measure the impact of its programs on the employment of minorities and women. A feasibility study is being considered to determine if there exists a better method to conduct a study which would be more reflective of OFCCP program influences than those already completed.

The OIG report proposed that OFCCP utilize the recommendations for the measurement of program impact contained in the "Preliminary Report on the Revitilization of the Federal Contract Compliance Program" in the development of this mechanism.

The Preliminary Report proposed that the OFCCP require incorporation"...in the affirmative action program regulations the requirement for a detachable coding sheet which summarizes data contained in the body of the program consuming utilization rates, projected vacancies, projected goals and anticipated annual rates of achievement, plus accomplishments during the preceding year, to be submitted annually."

The OFCCP does not endorse this recommendation. There are several reasons:

1. The paperwork burden on contractors to complete and send this report to OFCCP for each facility would be substantial.

2. OFCCP does not now have, and cannot expect to have in the reasonable future, staff and budget to process these forms.

3. Measuring simply goal accomplishment in the previous year, without considering good faith efforts and impinging variables mentioned above, is not consistent with OFCCP's mandate nor sound analytical techniques.

Attachment

U.S. Department of Labor

ESA PLAN TO COMPLETE APPLICATION OF THE GS-360 STANDARD
FOR APPLICABLE GS-12 AND ABOVE POSITIONS
IN OFCCP FIELD OFFICES

The Position Classification Standard for the GS-360 Equal Opportunity Compliance Series has been applied to all applicable GS-11 and below OFCCP Equal Opportunity Specialist (EOS) field positions. However, application of the GS-360 Standard for EOS field positions, GS-12 and above, must be completed for the approximately 400 remaining positions.

Objectives: This plan provides a position management approach to (1) correct previously identified organizational/structure problems in the OFCCP Regional and Field Offices; (2) complete application of the GS-360 Standard; and (3) establish a Region-wide "Table of Approved Positions" reflecting these corrective actions.

Methods: To the maximum extent possible, any required reduction in the number of GS-12 and above EOS positions will be accomplished through attrition and reassignments. To assure meeting the approved time frame, appropriate corrective action will be initiated if necessary.

Scope: This plan (1) summarizes position management/position classification problems identified during earlier audit samples of GS-12 and above EOS positions in OFCCP Field Offices which have not yet been corrected; (2) establishes a program of planned OFCCP management initiatives to correct position classification problems and strengthen OFCCP's field position management posture; and (3) establishes a schedule to complete application of the GS-360 Standard for OFCCP field positions, GS-12 and above. The plan includes the following:

1. OFCCP Area Offices/Field Offices:

   - GS-12 EOS nonsupervisory positions.
   - GS-13 EOS nonsupervisory positions.

   - GM-13 Module Chief/Field Office Director supervisory positions.
   - GM-14 OFCCP Area Director supervisory positions.

2. OFCCP Regional Staff Offices:

   All GS-12 through GM-15 positions.

Staffing GS-360 EOS Positions: The Department's approved career ladder for the GS-360 series is grade GS-11. Therefore, OFCCP shall continue to promote EOSs in the GS-360 series, GS-5 through GS-11, using the career ladder exception to merit staffing procedures. Staffing of EOS positions in the GS-360 series, GS-12 and above, must be in conformity with the approved staffing levels and with appropriate merit staffing, reassignment, or other procedures (use of accretion of duties is judged not to be an appropriate procedure).

Authorizing Officials: This plan, approved May 30, 1985, by the Office of Personnel Management (OPM), serves as a written document of commitment and agreement authorized by and between the Deputy Under Secretary for Employment Standards and the Assistant Secretary for Administration and Management, DOL.

Schedule for Implementation:

A. Application of the GS-360 Standard is to be completed throughout the OFCCP field components by June 1, 1986.

B. To ensure timely implementation of the plan, six months prior to June 1, 1986, ESA will develop and submit to OPM for approval a Table of Approved Positions (TAP) that sets forth an approved staffing pattern at both the Area and Regional Office levels. The TAP will reflect the quantity and type (series and optimum grade levels) of all positions, the approved organization structure (based on guidance for supervisory/nonsupervisory ratios set forth in the plan) and associated standard position description numbers.

Monitoring of the Plan: The Director/OFCCP, cooperatively with the Director/OMAP and the Director/OPM, will monitor implementation of this plan. The ESA Personnel Office shall provide assistance including consolidation and analysis of monthly status reports submitted by the RPOs (see Attachment I) for application of the GS-360 standard in all OFCCP field components. Copies of the consolidated monthly report will be provided to OPM/OPMOPA, the Director/OFCCP, and the Director/OMAP.

Implementation of the Plan: The plan to correct the PM/PC problems, and complete application of the GS-360 Standard follows:

GS-12 EOS Area Office/Field Office Nonsupervisory Positions.

1. PM/PC Problem:

Questionable classification support for the existing number of GS-12 EOS positions resulting from less than a majority of time spent by GS-12 EOS employees in the performance of GS-12 level cases or other equivalent work.

2. PM/PC Problem Correction:

A. The Director/OFCCP shall issue the "OFCCP Regional Position Management Control System for GS-12 EOS Positions" (RPMCS) (see Attachment II). The RPMCS provides authorized staffing levels and establishes position management controls for GS-360-12 EOS positions in OFCCP Area Offices and Field Offices. ESA management shall clearly define the differences between GS-11 and GS-12 assignments, including delegated responsibilities/authority, and indicate the constraints on GS-11 positions, e.g., what GS-11's may not do (Attachment IIA).

B. ESA shall develop, for DPM approval, an SPD for GS-360-12 EOS field positions to facilitate uniform documentation/certification of key job differences from the existing DPM approved SPD for GS-360-11 EOS field positions (#A0058).

3. GS-360 Standard Application:

A. DPM shall issue the following to the Regional Personnel Offices (RPO):

(1) A copy of the RPMCS, concurred with by DPM;

(2) A copy of the approved SPD for OFCCP GS-360-12 EOS field positions; and

(3) A copy of the "Departmental Guidance on Interpretation and Application of the GS-360 Standard for Equal Opportunity Compliance in DOL", prepared earlier by the joint DPM/ESA task group.

B. The GS-360 standard shall be applied to GS-12 EOS positions through local supervisory certification/ RPO classification of the GS-360-12 SPD.

(1) To ensure consistent application of the GS-360 Standard, only those Area Offices/ Field Offices in compliance with the RPMCS maximum authorized GS-12 staffing levels will be permitted use of the SPD.

(2) The remaining Area Offices/Field Offices will be authorized use of the GS-360-12 SPD (which applies the GS-360 standard) as they come into compliance with the RPMCS maximum authorized GS-12 staffing levels.

GS-13 EOS Area Office/Field Office Nonsupervisory Positions.

PM/PC Problem:

Questionable classification support for some GS-13 EOS nonsupervisory positions, resulting from less than a majority of time spent by GS-13 EOS employees in the performance of GS-13 level cases or other equivalent work. GS-13 EOS position locations as of 12/31/84 are as follows:

Region II	1 position
Region III	1 position
Region V	1 position
Region VII	2 positions

PM/PC Correction:

A. Within 15 days of receipt of this plan, the appropriate ARA/OFCCP will ensure that there is a locally developed position description, certified by the immediate supervisor, for each nonsupervisory GS-13 EOS position located in an OFCCP Area Office and/or Field Office and will furnish these position descriptions to the servicing Personnel Office.

B. The RPO shall conduct a classification review of each GS-13 EOS position and prepare a position evaluation report of its classification findings within 30 days of receipt of the locally prepared position description.

C. Should any GS-13 EOS position not be supported by the RPO through application of the GS-360 standard and if the problem cannot be resolved locally with the ARA/OFCCP or RA/ESA, the position description shall be submitted by the RA/ESA to the Director/OFCCP for resolution in concert with the Director/OMAP and the Director/DPM.

GM-13 Field Office Director Module Chief Supervisory Positions.

1. PM/PC Problem:

   Questionable classification support for some GM-13 Field Office Director and Module Chief positions resulting from assignment of insufficient subordinate staff to meet the minimum quantitative supervisory-to-nonsupervisory worker ratio of 1:3 required for coverage by the OPM Supervisory Grade-Evaluation Guide (SGEG).

2. PM/PC Problem Correction:

   A. The Director/OFCCP shall issue the "Optimum Staffing Plan for OFCCP Area Offices". Guidance provided in the plan requires a minimum 1:7 Module Chief supervisory-to-nonsupervisory worker ratio. (See Attachment III).

   B. The Director/OFCCP shall issue further guidance requiring a minimum 1:7 Field Office Director supervisory-to-nonsupervisory worker ratio.

   C. ESA shall develop, for OPM approval, SPDs for GM-360-13 OFCCP Module Chief and Field Office Director positions to facilitate uniform documentation/certification of key supervisory duties and responsibilities which are consistent with the new guidelines issued by the Director/OFCCP.

   D. All requests for local exception to the minimum 1:7 supervisory-to-nonsupervisory worker ratio must first be approved by both the Director/OFCCP and the Director/OMAP. Requests for exceptions must include a written justification, including assurance that the position has been reviewed and classified by the RPO, and shall be submitted by the RA/ESA to the Director/OFCCP.

3. GS-360 Standard Application:

   A. OPM shall issue the approved SPDs for OFCCP GM-360-13 Module Chief and Field Office Director supervisory positions to the RPOs.

   B. The SPDs shall be implemented for the Module Chief and Field Office Director supervisory positions through:

- 5 -

(1) Supervisory certification/RPO classification of the GM-360-13 SPDs; or

(2) Supervisory certification/RPO classification of locally developed exceptions to the DPM approved SPDs, approved by both the Director/OFCCP and the Director/OMAP.

GM-14 OFCCP Area Director Supervisory Positions.

1. PM/PC Problem:

A. Questionable classification support for some GM-14 OFCCP Area Director supervisory positions resulting from their direction of less than a sizable work operation required to meet "Degree A" supervisory criteria contained in the SGEG; and

B. Potential overlap and duplication of managerial duties credited to both the GM-15 ARA/OFCCP position and subordinate GM-14 OFCCP Area Director positions.

2. PM/PC Problem Corrections:

A. The Director/OFCCP shall issue the "Optimum Staffing Plan for OFCCP Area Offices". The plan establishes a subordinate organization structure which, in conjunction with the substantial supervisory duties and responsibilities of the OFCCP Area Director position, fully meets Degree A supervisory criteria contained in SGEG. (See Attachment III).

B. ESA shall develop, for DPM approval, an SPD for GM-360-14 OFCCP Area Director positions that will incorporate guidance provided in the optimum staffing plan. The SPD will further provide uniform documentation/certification to forestall overlap or duplication of key managerial duties reserved for the ARA/OFCCP positions.

C. All requests for exceptions to the "Optimum Staffing Plan for OFCCP Area Offices" must first be approved by both the Director/OFCCP and the Director/OMAP in coordination with the Director/DPM.

Requests for exceptions must include a written justification and shall be submitted by the RA/ESA to the Director/OFCCP.

3. GS-360 Standard Application:

A. OPM shall issue the following by the RPO:

(1) A copy of the "Optimum Staffing Plan for OFCCP Area Offices," concurred with by OPM; and

(2) The approved SPD for GM-360-14 OFCCP Area Director positions.

B. The SPDs shall be implemented as follows:

(1) Each GM-360-14 OFCCP Area Director SPD, certified by the ARA/OFCCP and classified by the RPO, shall be submitted to the ESA Personnel Office for final classification.

(2) Exceptions to the GM-360-14 OFCCP Area Director SPD, approved by both the Director/OFCCP and the Director/OMAP, shall be submitted to the ESA Personnel Office for classification. Final classification by the ESA Personnel Office must have written prior approval by the Director/OPM.

GS-12 and above OFCCP Regional Staff Office Positions.

1. PM/PC Problems:

A. Questionable classification support for the existing number of nonsupervisory GS-13 OFCCP Regional Staff Office positions, resulting from less than a majority of time spent by GS-13 employees in the performance of GS-13 level of duties;

B. Questionable classification support for some OFCCP Regional Staff Office supervisory GM-14 positions, resulting from assignment of insufficient subordinate staff to meet the minimum quantitative supervisory-to-nonsupervisory worker ratio of 1:3 required for coverage by SGEG;

C. Potential extra layer of review between the OFCCP Area Offices and the OFCCP National Office; and

D. Potential overlap and duplication of managerial duties of the GM-15 ARA/OFCCP position with subordinate GM-14 OFCCP Area Director positions.

2. PM/PC Problem Correction:

A. The Director/OFCCP, in concert with the Director OMAP, shall develop an "Optimum Staffing Plan for OFCCP Regional Staff Offices" within the approved time frame. The plan will provide an optimum structure, and provide authorized staffing levels, for OFCCP Regional Staff Offices.

B. ESA shall develop, for DPM approval, SPDs for OFCCP Regional Staff Office positions as appropriate. Included will be an SPD for ARA/OFCCP GM-360-15 positions, to provide uniform documentation/ certification of key managerial differences from the GM-360-14 OFCCP Area Director SPD to eliminate any overlap or duplication.

C. All requests for local exceptions to the "Optimum Staffing Plan for OFCCP Regional Staff Offices" must first be approved by both the Director/OFCCP and the Director/OMAP. Requests for exceptions must include a written justification, including assurance that all proposed positions have been reviewed and classified by the RPO, and shall be submitted by the RA/ESA to the Director/OFCCP.

3. GS-360 Standard Applications:

A. DPM shall issue the following to the RPOs:

(1) A copy of the "Optimum Staffing Plan for OFCCP Regional Staff Offices", concurred with by DPM; and

(2) All DPM approved SPDs for OFCCP Regional Staff Office positions.

B. The SPDs shall be implemented for GS/GM-13 and below OFCCP Regional Staff Office positions through:

(1) Supervisory certification/RPO classification of DPM approved SPD's; or

(2) Supervisory certification/RPO classification of locally developed position descriptions for authorized positions not covered by an SPD; or

(3) Supervisory certification/RPO classification of locally developed exceptions to DPM approved SPDs, approved by both the Director/OFCCP and the Director/OMAP.

- - -

4. The SPDs shall be implemented for WHD and OFCCP Regional Staff Office positions and ARA/DMAP positions as follows:

(1) All DPM approved SPDs, certified by the supervisor and classified by the RPU, shall be submitted to the ESA Personnel Office for final classification.

(2) Any exceptions to DPM approved SPDs, approved by both the Director/OFCCP and the Director/OMAP, shall be submitted to the ESA Personnel Office for classification. Final classification by the ESA Personnel Office must have written prior approval by the Director/DPM.

SUSAN R. MEISINGER
Deputy Under Secretary for
Employment Standards

JUL 29 1985
Date

THOMAS C. KOMAREK
Assistant Secretary for
Administration and Management

JUL 29 1985
Date

Attachment 2

OFCCP TASK GROUP REPORT

EXCESS OVERHEAD

1. Significantly reduce the percentage of managerial and supervisory staff.

   a. Reaction to the overall OIG Findings.

      OFCCP has taken steps to reduce organizational layering by reorganizing the National Office. The approved reorganization is an interim one; further reorganization will additionally reduce layering and grades on a gradual basis. OFCCP therefore acknowledges the problems identified and is working to address the concerns. In addtion, OFCCP acknowledges a need to review and modify the regional organizational structure.

   b. Assessment of the overall problem.

      Since 1978 when consolidation of all compliance activities occured, OFCCP has been gradually reducing organizational layering. The Agency hopes to accomplish this effort without a RIF. It is OFCCP's position that in 1986 and 1987 significant reorganization will occur in the National Office where overhead will be reduced. In the field, restructuring is necessary to conform with requirements of the 360 classification process and to insure the proper span of control exists. This effort will further reduce the supervisory ratio.

   c. Action OFCCP will take, timetable and responsible official.

      OFCCP has reviewed the National Office structure for reorganization and position change. The review took place in the 1st quarter FY 1986. Based on the review changes will be initiated with a view toward reorganization during the 2nd quarter along the lines recommended in the OIG report. In addition, the National Office will reduce approximately 24 positions by June 1986.

      The OFCCP Director has initiated a review of the regional office structure.

The area offices have been reviewed under the 360 classification process and as a result the span of control for supervisors has been increased. The effect of this is to limit the number of modules and area offices. These changes will result in less supervisors and, to the extent staff hiring is permitted, more EOSs. Exceptions to this may occur as a result of Gramm-Rudman.

During FY 86 OFCCP will review area offices with a view to consolidating where they are located in the same cities. It is expected that these changes will provide for a more streamlined organization and reduce costs and unnecessary overhead.

2. Reduce the number of reviews and processes, especially at the National and Regional Office and increase the number of case workers.

   a. The OIG finding is significant and deserves consideration; however, it will not result in more EOS positions since the program employment numbers have shown a downward trend based on Gramm-Rudman.

   b. Assessment of the overall problem.

   There are functions such as conciliation agreements that are reviewed at various levels in the organization that are time consuming and appear to be duplicative. However, most conciliation agreements are resolved in the regional offices with only four types referred to the National Office; (1) requiring back pay, (2) having unique policy consideration, (3) involving multiregional contractors, and (4) those involving other systemic discrimination findings. OFCCP agrees that the number of reviews should be reduced and will work toward that end.

   c. Action the OFCCP will take, timetable and responsible official.

   The Director has considered an option to delegate conciliation agreements to the field. However, because this is the most effective method the Director has to control and review operations, it should not be redelegated until the problems relating to delegation of authority were addressed by ESA and the Department of Labor. A survey is presently being

conducted by the Deputy Under Secretary of ESA to ascertain what changes should be initiated. The survey results are due in January 1986. Based on the study results and Gramm-Rudman, decentralization of activities will be considered by the Director during the 3rd quarter of FY 86.

3. Reduce the number of support staff (clerical and technical) in the National Office and regions.

   a. Reaction to the overall OIG finding.

      In general OFCCP agrees with the conclusion for the National Office and does not agree with the conclusion as it relates to the field.

   b. Assessment of the overall problem.

      There is a problem in the National Office relating to the number of support positions. However, there is no excess of clerical/support in the regional or area offices. Fiscal savings in the form of rental and equipment expenses could result in other ESA program locations of OFCCP area offices in regional cities.

   c. Action the OFCCP will take, timetable and responsible official.

      The National Office will reorganize and combine the Divisions of Policy and Program Analysis and Review. The Division of Program Operations is being reviewed to consolidate activities. The result of the merger proposed for January or February 1986 is expected to result in an OASAM approved staffing pattern and organizational structure. The effect of this will be the reallocation of clerical positions necessary to support the program activities.

      In the field a proposed organizational structure will be developed that will redefine the organization and positions necessary to carry out the program operations. The field structure for regional offices should be developed by the 4th quarter FY 86.

LARGE NUMBERS OF STAFF AT HIGH GRADE

1. Reduce the average grade level by reducing the overhead staff in the National and Regional Offices.

a. Reaction to overall OIG finding.

OFCCP agrees with the conclusions for the National Office and to a limited extent, for the field.

b. Assessment of the overall problem.

Since consolidation in 1978, the National Office has had a high grade structure, particularly due to absorption of the positions from other Federal agencies. Since that time OFCCP has been trying with limited success to reduce by attrition. In the field there are a large number of modules that should be consolidated into fewer area offices.

c. Action OFCCP will take, timetable and responsible official

As a result of the proposed reorganization of the National Office, overhead positions will be reduced. It is anticipated that the merger of the Division of Policy and the Division of Program Analysis and Review will result in the elimination of a number of GM positions and the elimination of a number of branches and sections. In addition, the Director is presently reviewing the Division of Operations for further consolidation. If a decision is made it also will have fewer GM positions and branches.

The National Office will eliminate approximately 24 positions from the National Office by the end of FY 86. The majority of these will be professional positions.

The area offices will be impacted by implementation of the 360 standards, a major effect of which is the reduction in the journeyman grade from a GS-12 to GS-11. This will be implemented during the 2nd and 3rd quarters.

The area offices are being restructured to provide a supervisory ratio of 1 to 7 in the modules. The result of this ratio will eliminate proliferation of small modules and excess supervisors. The Regional Office structure is being analyzed as a result of Gramm-Rudman and a decision will be made on major restructure during the 4th quarter.

2. Reduce the grades of National and Regional Office staff through application of appropriate classification standards.

   a. Reaction to overall OIG finding.

      OFCCP has been involved with the ESA and OASAM personnel office, as well as the regional OASAM personnel offices, to review the National Office and Regional Office grade structure to assure positions are properly classified.

   b. Assessment of the overall problem.

      OFCCP has identified the problems of overgrading and as indicated is taking steps reflected in "c" below to resolve the problem.

   c. Actions OFCCP will take, timetable and responsible official.

      The National Office is being reorganized with the assistance of the ESA personnel office and OASAM. The result will be consolidation of activities and elimination of unsupportable positions by position management redesign methods. This activity will begin and be implemented during January and February 1986.

      Regional Office redesign will also have both ESA personnel office input as well as OASAM review and approval. It is expected that the redesign and implementation scheduled for 4th quarter will result in supportable positions for the Regional Office.

3. Reduce unwarranted grades in the area and field offices through application of classification standards.

   a. Reaction to overall OIG finding.

      OFCCP concurs that there are problems with the grade structure in the field.

   b. Assessment of the overall problem.

      As a result of new classification standards, EOS positions must be reviewed.

c. Action OFCCP will take, timetable and responsible official.

OASAM has conducted a review of EOS positions in the field and as a result, OFCCP and OASAM have developed a corrective action plan designed to address the overgrading problem. The Office of Personnel Management (OPM) has set a deadline of June 1, 1986 for completion of the action plan.

INEFFICIENT FIELD STRUCTURE

1. Reduce the size and grade structure in small regions.

a. Reaction to overall OIG finding.

Because of the OIG concerns and Gramm-Rudman reductions, OFCCP is reviewing the regional office structure.

b. Assessment of the overall problem.

OFCCP will review the Regional Office structure to ascertain if the structure shoiuld be redesigned.

c. Actions OFCCP will take, timetable and responsible official.

Although OFCCP believes a number of the positions are supportable, some change may be necessary in the regions. This will be determined during the 3rd quarter when all regional office structures are reviewed and a plan developed to reorganize.

2. Co-locate regional office staff, area offices or field offices to produce economics.

a. Reaction to overall OIG finding.

OFCCP concurs in the view that economies should be made where possible by co-location.

b. Assessment of overall problem.

In some regions such as Chicago, GSA recommended that the area office be separate from the regional office. However, OFCCP agrees with the OIG that consideration should be given to co-location in certain circumstances.

The Director will request a review and report on possible consolidations in the respective regions. This request and report will be made during the 3rd quarter FY 86.

3. Make the four smallest regions satelites of the larger regional office.

   a. Reaction to the overall finding.

      OFCCP does not agree that subordination of smallest regions is appropriate at this time. Reductions are taking place in the National Office along with a National Office reorganization. In addition, OFCCP is implementing the 360 process and redesigning the regional office structure. Although OIG's recommendation may have merit, it is not appropriate during FY 85.

   b. Assessment of the overall problem.

      It may be necessary to consider such subordination if budget reductions become severe. However, having a full compliment of staff in each region is most effective in OFCCP's view.

   c. Action OFCCP will take, timetable and responsible official.

      OFCCP will review the option again in FY 87.

DUPLICATION AND OVERLAP

4. Merge the three branches in the Division of Program Policy

   a. Reaction to the overall OIG finding.

      OFCCP has reviewed its national office staffing and organization and agrees with the OIG that a merger is required for the Division of Program Policy.

   b. Assessment of the overall problem.

      It is the intention of OFCCP to merge activities which have been in the organizational structure since consolidation. The present structure is not effective or efficient and overlaps in responsibilities.

c. Actions OFCCP will take, timetable and responsible official

OFCCP will reorganize the Division of Policy in the 2nd quarter with an interim organization leading to an ultimate organization that has only two branches in the Division of Policy instead of three. The interim organization and ultimate organization are presently being developed for review and approval by OASAM. The ultimate organizatiion will result in less staff, and a better supervisory ratio.

5. Merge the Division of Program Policy with the Division of Program Analysis and Review.

a. Reaction to the overall OIG finding.

OFCCP agrees that the Divisions should be merged.

b. Assessment of the overall problem.

The Division of Program Analysis and Review and the Division of Policy are related in terms of their mission and functions. By combining these Divisions, OFCCP could save on budget, reduce the supervisory ratio and create a more efficient and effective program.

c. Action OFCCP will take, timetable and responsible official.

The Director has decided to merge both divisions in the 2nd quarter FY 86 and eliminate the SES position that serves as the Assistant Director of Program Analysis and Review. In addition, the ultimate structure, like that of the Division of Policy, will be consolidated into two branches. The title of the new division will be the Division of Policy and Program Review. The organizational structure will be sent to OASAM for review and approval.

6. Reorganize the National Office.

a. Reaction to overall OIG finding.

OFCCP agrees with the OIG finding.

b. Assessment of the overall problem.

Since consolidation, OFCCP has been aware of the need to reduce in size and of the problem of overgrading. Progress has been made, but in FY 86 OFCCP will make significant progress in streamlining the National Office structure.

c. Action OFCCP will take, timetable and responsible official.

OFCCP has initiated a major reorganization of the National Office. Implementation should be completed no later than the 4th quarter FY 86. Consolidation of Divisions will take place with elimination of the high supervisory ratio. The result will be less divisions, branches and sections as well as a lesser number of supervisors.

7. Reorganize Regional Offices.

a. Reaction to overall OIG finding.

OFCCP agrees that the regional office structure needs to be modified. OFCCP is reviewing the regional office structure. This will be determined during the 4th quarter when all regional office structures are reviewed and a plan developed to reorganize.

b. Assessment of the overall problem.

OFCCP Director is considering regional delegation of authority to finalize those conciliation agreements that are presently decided in the National Office. Presently, the regions have authority to decide most conciliation agreements, with only a few types that must be sent to the National Office. These are multiregional agreements, backpay agreements and those involving complex policy issues.

The Director will decide on the reorganization of the regional offices with the advice of ESA personnel and OASAM. This will result in a better managed and grade supportable organization.

c. Actions OFCCP will take, timetable and responsible official.

The regional office structure is presently being reviewed and it is anticipated the reorganization should be finalized by 4th quarter FY 86.

REDUNDANT LAYERS OF REVIEW

1. Reduce significantly the review of basic casework within the organization with the exception of quality reviews of executed documents and closed case files.

   a. Reaction to overall OIG finding.

      OFCCP recognizes the need to reduce multiple review of documents, both in the field offices and the national office.

   b. Assessment of the overall problem.

      The Director has considered an option to delegate conciliation agreements to the field. However, because this is the most effective method the Director has to control and review operations, it should not be redelegated until the problems relating to delegation of authority are addressed by ESA and the Department of Labor. A survey is presently being conducted by the Deputy Under Secretary of ESA to ascertain what changes should be initiated. The survey results are due in January 1986. Based on the study results and Gramm-Rudman, decentralization of activities will be considered by the Director during the 4th qurter FY 86.

      Resolution of this problem is also linked to restructuring of the regional and national office staffs. In addition, delegation of additional authority to field offices is contemplated: however, a balance must be achieved between delegation and retention of sufficient control to assure consistent quality and productivity.

   c. Action OFCCP will take, timetable and responsible official.

      OFCCP management has developed a national and area office restructuring plan, consistent with requirements related to the 360 classification implementation plan, the need for better supervisory ratios, and effective and efficient management operations. It is expected that the 360 series implementation plan will be completed by June 1, 1986 and National Office structure will be implemented by 2nd quarter FY 86.

2. Developed policies which encourage and permit decision making at the lowest possible level.

3. Place responsibility for quality casework clearly on the area and field office.

4. Give the Area Office Directors (AODs) more signature authority and responsibility commensurate with their grade and pay.

5. Continue to measure the quality of casework through the use of quality standards of the AOD and module chiefs performance standards.

6. Eliminate mandatory escalation of cases to regional and national offices and allow for AOD judgment in forwarding particularly intricate and sensitive pending case actions to the regional office for regulatory interpretation or assessment of legal sufficiency.

(2-6 are combined in that each reflects methods of implementing delegation proposals).

a. Reaction to the overall OIG finding.

OFCCP agrees in principle that further delegation of responsibility is appropriate.

b. Assessment of overall problem.

Management is considering which responsibilities may be delegated from the National Office to Regional Offices, and from regional offices to area offices without compromising reasonable control and quality assurance, or either rights of protected parties or respondant contractors for reasonable review of agency decisions.

c. Action OFCCP will take, timetable and responsible official.

OFCCP will continue its present efforts. OFCCP is proposing to complete reorganization and redelegations by the 4th quarter.

INADEQUATE STAFF TIME REPORTING

1. Develop and implement a staff time reporting system which provides complete, accurate and timely information to management on how OFCCP staff at all levels of the agency (especially National Office and regional office levels) spend their time.

2. Utilize the information produced by staff time reporting system as an enforcement tool.

   a. Reaction to overall OIG finding

      In 1983, the Division of Internal Mangement Control (DIMC) OMAP, conducted a survey of EOS on-site visits. Their survey report found that the "Time Distributiion Report" (DL-291) was of very little value in the verification of on-site reviews and EOS travel. It found that since the DL-291 (PAS) codes were "task oriented", the time spent on the on-site visits or travel could not be identified. It also found that the 291 was not contractor related.

      They recommended replacement of the DL-291 with some type of reporting system for EOSs which would break down the EOS' time by function and would identify such items as on-site visits and travel.

      This recommendation was adopted and resulted in the CC-56 being put in place on October 31, 1984. A follow-up review by the DIMC found the CC-56 an excellent reporting and management planning tool and made a few minor recommendations for its improvement including the reporting of all time, compliance or otherwise, by the EOS. This recommendation was accepted by OFCCP.

      The DIMC report and follow-up found that the concerns over time utilization were best addressed by an EOS time reporting system which was contractor based.

      It is not feasible to establish a general time reporting system for all OFCCP personnel at the National Office and Regional Office that is contractor or compliance review related.

The OFCCP does not require a clerical or managerial activity tracking system in order to resolve staffing issues in National and Regional Offices. The OFCCP has been cognizant of administrative over-staffing for some time and has taken several corrective actions in this regard as was mentioned at the exit conference, in our May 29, 1985 letter and as a result of the OIG review as indicated in this report. Additionally, ESA reporting systems provide management with staffing and FTE utilization in all areas on a monthly basis.

A telephone survey was conducted on August 2, 1985 of three enforcement agencies in DOL and four enforcement agencies outside of DOL. The agencies were: Occupational Safety and Health Administration (OSHA), Mine Safety Health Administration (MSHA), Wage and Hour Administration (WH), Fedeal Bureau of Investigation (FBI), Drug Enforcement Administration (DEA), Equal Employment Opportunity Commission (EEOC) and Bureau of Alcohol, Tobacco and Firearms (BATF). Six agencies reported that activity tracking was done only for enforcement personnel. Enforcement personnel were defined as compliance officers in the field except for MSHA National Office staff that were involved in field work and DEA National Office staff that did enforcement work. None of the above tracked clerical or managerial time by activity. One agency did no staff activity tracking of anyone.

There are many checks for productivity of management and support staff that do not require hourly time reporting - program plan performance, accountability reviews and performance standards. Additionally, position management and position classification issues also play a role in staff time accountability.

CONSTRUCTION CONTRACTOR UNIVERSE IS HIGHLY INCOMPLETE

1. Implement the recommendation contained in the draft report "Construction Contractor Data Systems: Analysis and Recommendations" or implement improvements.

   a. Reaction to the overall OIG finding.

      OFCCP agrees that there are considerable problems with the construction contractor data system.

   b. Assessment of the overall problem.

OFCCP published proposed regulations which would require nationwide reporting of CC-257s. However, until the regulations become effective and the reporting requirement receives OMB approval, this data gap will continue.

c. Actions OFCCP will take, timetable and responsible official.

OFCCP published in December 1983 a report entitled "Construction Contractors Data Systems" that contained recommendations most of which have been implemented and respond to many of OIG concerns:

(1.) The Federal Procurement Data System with federal construction contract information is sent to area offices quarterly.

(2.) OFCCP has been pursuing research on Dodge Reports recommended by OIG but has not yet determined how to utilize them efficiently since the reports give only location, prime contractors, and construction to begin within the next 60 days. They do not give size of work force (a prime contractor may only have two employees) names of subcontracts nor do they specify whether the work is federal or federally assisted.

(3.) Federal administering agencies have been contacted as recommended by OIG but they do not have the required information.

(4.) Local field offices are determining sub-contractors of prime contractors.

(5.) Many local crossmatches of the data area are being done manually for scheduling purposes.

OFCCP is presently engaged in trying to computerize the selection system in construction. This is difficult because of the severe limitations of the data necessary to building the system - 257's only cover some areas, and FPDS and Dodge only include prime contractors. Gramm-Rudman reductions have also severely limited ADP development.

2. Promulgate new regulations and procedures which implement nationwide reporting for Federal construction contractors.

   a. Reaction to the overall OIG finding.

      OFCCP agrees that new regulations and procedures which implement nationwide reporting should be implemented. The OIG finding is consistent with the views expressed by the Director of OFCCP.

   b. Assessment of the overall problem.

      CC-257s are required by construction contractors in approved geographic areas. However, contractors are not always submitting CC-257s, particularly on subcontracts. OMB has not approved mandatory reporting in all geographic areas of the country. The revised regulations will require nationwide reporting, if such reporting is approved by OMB.

   c. Actions OFCCP will take, timetable and responsible official.

      OFCCP has proposed new regulations to require nationwide reporting but because these requirements mean a paperwork burden on contractors, previously proposed regulations have been denied by OMB. OFCCP is now proposing regulations to require quarterly reporting instead of monthly reporting.

      OFCCP has a task force studying the results of a nationwide survey of area directors to determine ways of improving the construction selection system until nationwide reporting is required.

3. Develop and present to Congress or the Executive Branch request for enforcement powers to use against contractors not reporting.

   a. Reaction to the overall OIG finding.

      OFCCP has enforcement powers. The real problem is the lack of nationwide reporting. Therefore, OFCCP does not concur with a need for Congress to provide enforcement power to the agency.

   b. Assessment of the overall problem.

The problem is more one of identifying construction contracts and expanding the geographic area in which contractors must report. The CC-257 reporting system is not an adequate system and needs to be expanded to use other sources to insure contractors are identified, particularly those not filing CC-257 reports.

c. Actions OFCCP will take, timetable and responsible official.

The Director has acknowledged a need for a better system to identify construction contractors. At best the 257 is of marginal use. OFCCP had a contract to develop a system but that contract was terminated. It is the intention of the Director to propose funding for this type of a system in FY 1987 if budget permits.

4. Develop and assure implementation of a process which requires OFCCP area offices to contact Federal construction contractors to elicit and identify subcontractors.

a. Reaction to the overall OIG finding.

OFCCP agrees with the finding.

b. Assessment of the overall problem.

There is a need for OFCCP to ensure that compliance specialists place a greater emphasis on insuring identification of subcontractors through systems already in place.

c. Actions OFCCP will take, timetable and responsible official.

OFCCP has regulations which are reiterated in the Contract Compliance Manual which require primary Federal construction contractors to identify subcontractors over $10,000 and to describe the scope of their work. OFCCP will enhance its accountability review procedures to ensure that area offices are following up when primary contractors do not send notifications of subcontractors.

5. Provide for more adequate control over contractor and contracting agency reports to insure proper utilization of the information.

a. Reaction to the overal OIG finding.

OFCCP has acknowledged the need to ensure procedures already issued are being adhered to by the field.

b. Assessment of the overall problem.

Because of the lapse of time of 60-90 days between contractor filing and receipt in the area office there is a tendency for the work to have been completed by the time any review action can be initiated.

c. Action OFCCP will take, timetable and responsible official.

OFCCP will issue a directive to field staff to insure that CC-257 forms, along with contracting agency reports, are received and processed according to OFCCP procedures. We will also be reviewing the adequacy of this through our accountability reviews.

6. Conduct frequent and complete crossmatches of contractor information sources at area offices until a common identifier and automated system is in place.

a. Reaction to the overall OIG finding.

OFCCP agrees that an enhancement of the CRIS computerized system is necessary and will consider better methods of crossmatch until an enhancement system is developed.

b. Assessment of the overall problem.

The manual process of crossmatching is very time consuming. In many cases a compliance review has been completed by the time the crossmatch is completed and the contractor is identified.

c. Actions OFCCP will take, timetable and responsible official.

Manual crossmatches are done at the area office level. The construction task force mentioned above is examining methods of standardizing and enhancing the manual crossmatching system. OFCCP will also enchance its accountability review process to ensure that manual crossmatching is being accomplished.

7. Revise the CC-257 report to accommodate DUN numbers or other common identifiers.

   a. Reaction to the overall OIG finding.

      OFCCP agrees that a better method of identification is necessary. However, the Agency is not certain that use of the Dun number is the best method.

   b. Assessment of the overall problem.

      As discussed previously, there needs to be a better system to identify contractors, and particularly subcontractors. The present system is cumbersome and inefficient.

   c. Actions OFCCP will take, timetable and responsible official

      OFCCP will be revising the CC-257 to add additional identifiers that may include the Dun number. Our staff is assessing whether the Dun number is the best option to use. We expect to complete this process by 4th quarter FY 86.

WEAK CONTRACTOR SELECTION PROCESS AND DOCUMENTATION OF SELECTION

1. Generate a workable number of potential targets. This will provide assistance to area offices in making selection and use of standard selection criteria.

   a. Reaction to the overall OIG finding.

      OFCCP agrees with the findings and has developed a better methodology.

   b. Assessment of the overall problem.

      OFCCP identified in 1983 that there was a need to strengthen the criteria for selection for the same reasons found by the OIG in 1984. OFCCP has been aware that the selection system has to be strengthened. In 1985, a review to determine what actions were necessary was completed and a more refined EEDS is now in place.

   c. Actions OFCCP will take, timetable and responsible official

New procedures for nonconstruction (EEDS) contractor selection have been initiated as a result of the OFCCP review in 1983. This will resolve most of the concerns identified by OIG. These new procedures were issued 10/2/85.

2. Require documentation of sources and rationale leading to selection.

   a. Reaction to the overall OIG finding.

      OFCCP concurs in the fact that case files must include documentation for selection.

   b. Assessment of the overall problem.

      Directives already exist on developing and maintaining a case file which call for documentation of contract selection. The EEDS now includes a system for incorporating selection decision information in case files.

   c. Actions OFCCP will take, timetable and responsible official.

      As indicated above, OFCCP has recently issued instructions reiterating the requirements to ensure selection documents are prepared and become part of the case file. This will be a part of our compliance accountability reviews.

3. Encourage some selection of construction contractors from outside present reporting areas.

   a. Reaction to the overall OIG finding.

      OFCCP agrees that there needs to be more selections of construction contractors from outside reporting areas.

   b. Assessment of the overal problem.

      Presently contractors filing CC-257 forms are more likely to be identified for selection. It is probable that many contractors not filing CC-257s are not being identified as proper employers for review.

   c. Actions OFCCP will take, timetable and responsible official.

OFCCP will issue a directive to encourage area offices to use local newspapers, quarterly reports from Highways, trade magazines and other possible sources that may be helpful. This system would be redefined when the tasks group presently reviewing the selection method makes its recommendation for improvement by 4th quarter FY 87.

INADEQUATE TRACKING AND UNTIMELY EVALUATION OF CONTRACTOR PROGRESS REPORTS

1. Establish national guidelines for tracking contractors' progress reports and for taking prompt follow-up action during periods of written agreements.

   a. Reaction to the OIG finding.

      OFCCP agrees that this is a problem that must be resolved.

   b. Assessment of the overall problem.

      Although the OFCCP manual requires monitoring within 15 days of receipt of a report, there appears to be a lack of attention to this requirement in the Area Offices reviewed.

   c. Actions OFCCP will take, timetable and responsible official.

      OFCCP will insure that the accountability review procedures manual contains a section to insure there is mandatory review of these agreements. In addition, the Director will issue guidance and procedures to reaffirm to the field the Director's concern. This will be accomplished by the 3rd quarter FY 86. OFCCP will also evaluate the possibility of computerizing the monitoring methods to reduce manual identification requirements.

PREAWARD REVIEW SYSTEM IS INEFFECTIVE

1. Eliminate the preaward review process on the basis it is ineffective and uses scarce resources.

   a. Reaction to the OIG finding.

      OFCCP agrees that preaward reviews should be eliminated.

b. Assessment of the overall problem.

Since proposed regulations containing the revision in preaward reviews have not been made final, OFCCP cannot change the present requirement to conduct preaward reviews. When the proposed regulations are finalized preaward reviews may be eliminated.

c. Action OFCCP will take, timetable and responsible official.

If new regulations are issued the preaward review requirement may be eliminated. However, it is the decision of the Secretary of Labor when new regulations will be issued.

2. Redirect resources presently devoted to preaward reviews to enforcement activities yielding greater results.

a. Reaction to the overall OIG finding.

OFCCP agrees with the OIG finding.

b. Assessment of the overall problem.

OFCCP agrees that preaward reviews should be eliminated, and these resources could be devoted to other compliance activities.

c. Action OFCCP will take, timetable and responsible official.

When regulations are issued, the OFCCP will redirect enforcement hours to other priority areas.

PROGRAM RESULTS

Develop a mechanism for measuring program success in achieving the public goal of increasing employment and advancement for minorities, women, veterans and handicapped among Federal contractors.

a. Reaction to overall OIG finding.

OFCCP recognizes the benefits in measuring the impact of its programs on the employment of minorities and women. Using EEO-1 reports as a data base, OFCCP commissioned two studies for

this purpose in the 1970s, and one other study was done by the Potomac Institute. All reached basically the same conclusion-that affirmative action has a positive effect on the employment and promotion of minorities and women.

However, each of these studies was criticized in that although the existence of several variables were cited (the economy, changing social conditions, emerging technologies, etc.), such variables were not considered in the statistical study. While OFCCP agrees that inclusion of all such determinates is desirable, and perhaps mandatory to a sound finding, the agency is not confident such an exhaustive consideration of factors can be reliably accomplished.

While other methods of measurement are possible by changing the data base several other disadvantages accrue, and the problems mentioned above are not alleviated.

b. Assessment of the overall problem

See Above

c. What additional actions should OFCCP take?

OIG RESPONSE

c. OFCCP plans to conduct further in-house studies to measure the impact of its programs on the employment of minorities and women. In addition to our own analysis, OFCCP would consider employing an expert (either by contract or through temporary employment) to conduct a feasibility study to determine if there exists a better method to conduct a study which would be more reflective of OFCCP program influences than those already completed. If it appears likely that such a study can be undertaken at reasonable cost, OFCCP will consider adoption of the methodology as a program measurement tool.

d. What is the specific timetable for each item of corrective action, who is assigned responsibility, what is the product?

A decision regarding the practicality of employing a consultant/contractor will depend on the estimated costs and funding available. Because

of budget uncertainties, this decision cannot be made at this time. However, a study in-house will begin in FY 86.

3. Utilize the recommendatioins for the measurement of program impact contained in the "Preliminary Report on the Revitilization of the Federal Contract Compliance Program" in the development of this mechanism.

a. Reaction to overall OIG finding.

The Preliminary Report proposed that the OFCCP require incorporation"... in the affirmative action program regulations the requirement for a detachable coding sheet which summarizes data contained in the body of the program concerning utilization rates, projected vacancies, projected goals and anticipated annual rates of achievement, plus accomplishments during the preceding year, to be submitted annually."

The OFCCP does not endorse this recommendation. There are several reasons:

1. The paperwork burden on contractors to complete and send this report to OFCCP for each facility would be substantial.

2. OFCCP does not now have, and cannot expect to have in the reasonable future, staff and budget to process these forms.

3. Projections are not helpful in determining the impact of OFCCP programs in that too many outside influences prevail upon the contractor's ability to meet the goal.

4. Accomplishments during the previous year (apparent placements into each job group, reported by race/ethnic group and sex) have deficiencies. Without consideration of other influences, the demographics recommended by the OIG are not useful for OFCCP to make decisions on results.

b. Assessments to overall problem.

See 3 a. through 4 above.

c. What additional actions should OFCCP take.

OFCCP will undertake actions described in paragraph 2c above.

d. What is the specific timetable.

Not applicable.

4. Implement or adopt these recommendations or develop other methods which will provide hard evidence to the Congress and the public about any reductions in discrimination or increases in affirmative action resulting in increased employment and advancement for protected groups among Federal contractors attributed to OFCCP efforts.

See paragraph 3 a. above.

Mr. STOKES. What steps are you taking to identify all of the construction contractors and subcontractors which fall under the jurisdiction of Executive Order 11246? The GAO report indicated that you really do not know how many contractors fall within your jurisdiction.

Ms. MEISINGER. The construction universe is a difficult one for us because in construction more than any other, perhaps, there is a great deal of subcontracting, and the Federal procurement system tracks the prime contract, not the subcontracts. Also there is no real tracking system across Government dealing with federally assisted construction.

Mr. Cooper is concerned with this and has taken steps to look at the possibility of bringing in some outside assistance to help us grapple with the problem. In the meantime, the office is working with the Wage and Hour Division which has responsibility for enforcement of the Davis-Bacon Act, the prevailing wage requirements for construction contractors receiving Federal funding or assistance, and the data base that the Wage and Hour Division uses as it goes about its business, not only to enforce the law, but to determine what are prevailing wages for the construction industry in a given area.

I will submit more information for the record on that, if I might.

Mr. STOKES. Certainly.

[The information follows:]

CONSTRUCTION CONTRACTOR UNIVERSE

The Office of Federal Contract Compliance Programs (OFCCP) has taken several steps in improving the data, on construction contractor universe, available to Area Office Directors, including providing Federal Procurement Data System information on a quarterly basis, pursuing research on the usefulness of Dodge information, initiating a comprehensive field survey and proposing regulatory reform. Actions being taken include:

(1) The Federal Procurement Data System (FPDS) with Federal construction contract information is sent to area offices quarterly.

(2) OFCCP has been pursuing research on Dodge Reports recommended by OIG but has not yet determined how to utilize them efficiently since the reports give only location, prime contractors, and construction to begin within the next 60 days. They do not give size of work force (a prime contractor may only have two employees), names of sub-contracts nor do they specify whether the work is Federal or Federally assisted.

(3) Federal administering agencies have been contacted as recommended by OIG, but they do not have the required information.

(4) Local field offices are determining subcontractors of prime contractors.

(5) Many local crossmatches of the data are being done manually for scheduling purposes.

OFCPP is presently engaged in trying to computerize the selection system in construction. This is difficult because of the severe limitations of the data necessary to building the system.

EXECUTIVE ORDER UNIVERSE

Mr. STOKES. Can you tell us how many and what proportion of Federal contractors under the jurisdiction of Executive Order 11246 received compliance reviews in 1985 as compared with 1984 and 1983?

Ms. MEISINGER. We have been somewhat constant. Again, it is, as you have pointed out so aptly, difficult to be positive of what the exact universe is of the Federal contractor community. As a practi-

cal matter, Federal contracts end and begin on a daily basis so it is a moving target. We estimate that we review about four to five percent of the contractor universe, and we do in excess of 5,000 compliance reviews a year—it is not an exact estimate that I give you, and I would want to have my number crunchers try and give a better look at it.

[The information follows:]

COMPLIANCE REVIEWS CONCLUDED

In FY 1985, we conducted 5,217 compliance reviews, which is three percent of the estimated 73,000 establishments required to develop Affirmative Action Plans and the estimated 100,000 construction contractors.

NON-CONSTRUCTION CONTRACTOR SELECTION

Mr. STOKES. Are you taking any steps to improve the criteria for the selection of non-construction contractors?

Ms. MEISINGER. The selection of non-construction contractors is done through a system called EEDS, and that is a computer manipulation and examination of the EEO–1 forms submitted by the Federal contractors to the Joint Reporting Committee. We do a computer analysis which compares Federal contractors by SIC code with other Federal contractors in the same area to see how they stand up against their peers so we can approach it on a worst first type scenario. There is also a random listing of Federal contractors as well, so one who may have higher participation rates than another does not still feel they have an affirmative action obligation.

It is a challenge to make sure all Federal contractors are included in that listing, and there are instructions given that when field staff determine there is a Federal contractor who is not in that listing, to let us know. And a revised, refined issuance of this EEDS system was sent out in the last six months to the field.

It is a constant effort to make sure we are making appropriate selections. In 1980, of all of the contractors selected 30 percent were first-time investigations. And last year, fiscal year 1985, it was roughly 60 percent, a little bit over 60 percent. So we are trying to target those who have not had the benefit of our presence.

NUMBER OF COMPLIANCE REVIEWS

Mr. STOKES. I noted that in the President's budget appendix, 5,850 compliance reviews are projected for the Office of Federal Contract Compliance. But, in looking at your 1987 budget justification, the number given is 5,225. Compliance reviews.

Can you tell us which is the correct number?

Ms. MEISINGER. There is a difference there because the decision was made between the times they were printed. In the earlier numbers, we had projected that we would be counting as a compliance review a desk audit, and that is where we notify a contractor that we are going to do an investigation, and they send us the written affirmative action program.

Under proposed regulations pending, we could at that time, if we found that there was adequate documentation of the contractor's efforts, stop the investigation at that point. And, recognizing that it

is unlikely that we will have final regulations by the end of this fiscal year, we went ahead and made the conversion; that is, we converted those hours into full-scale investigations. And that is what the number reflects.

I will try and make that more articulate for the record, if I may.

Mr. STOKES. OK. Please do.

[The information follows:]

DIFFERENCE IN FY 1987 COMPLIANCE REVIEW ESTIMATES

The figure for compliance reviews in the President's Budget Appendix (5,850) was based on an assumption that new regulations would be published which would provide for desk audits to be done without requiring an onsite review. By the time the Congressional budget submission was prepared, a decision had been made to eliminate desk audits until the regulations are published and to convert the hours to compliance reviews.

The elimination of desk audits converted compliance reviews reduced the 5,850 in the Appendix to 5,225 as cited in our FY 1987 request.

Mr. NATCHER. Mr. Hoyer.

Mr. HOYER. Thank you very much, Mr. Chairman.

Very happy to see you here. I know you are always happy to see me here. Mr. Rogers, I know, is.

You are referring to my good friend as the number cruncher—Ms. Ricker?

[Discussion off the record.]

FECA LEVEL II ADP SYSTEM

Mr. HOYER. Let me focus in on my particular area of interest that comes within your jurisdiction. I am pleased to see at the outset in your testimony you indicate that the computer system that we have all been waiting for to try to relieve the process is scheduled to be on line in 1987.

Ms. MEISINGER. We might want to talk a little bit about that.

Mr. HOYER. Okay.

Ms. MEISINGER. The Federal employees' Level II.

Mr. HOYER. This is the one that Martin-Marietta is working on. We had some problems on it, but I was hoping they were solved.

Ms. MEISINGER. We received a couple of pieces of correspondence last week from Martin-Marietta indicating that they would like an extension to their contract period for performance of approximately five months, although the back-up material suggests something longer, and at the same time requesting an "equitable adjustment."

I interpret "equitable adjustment" to be money—and I am not a bank. As a consequence, yesterday we had hand-carried out to the contractor a "cure letter", which basically requests that they, within a 10-day period, tell us why we should not deem them to be in default. So we are right now in a delicate situation with that contractor.

Mr. HOYER. In light of that, I think I will not pursue the question.

Ms. MEISINGER. I would appreciate that. We will keep you fully informed.

EFFECTS OF GRAMM-RUDMAN-HOLLINGS REDUCTION

Mr. HOYER. I am concerned with both ends of that issue. The particular office doing that work is in Prince Georges, and the broader interest is workers' compensation, having that available to do the job properly.

Perhaps we can help in some way. And let me focus then in on, first of all, how is the Gramm-Rudman-Hollings' cut going to affect OWCP generally, District Office 25 in particular?

Ms. MEISINGER. Generally, we are in a hiring freeze, and we anticipate that we will have some slowdowns in the claims processing, although we are determined to maintain an efficient level of operations. I have to be honest and say that there probably will be some slowdown, but I am confident that we will not get into a situation that we may have been in five years ago when there were major, major problems.

The FECA program includes that provision that deals with payment of medical bills, and we are obligated to sequester some amount of dollars, the 4.3 percent of that fund, for Gramm-Rudman-Hollings. As a consequence, on March 1, Treasury checks that are cut to reimburse medical providers or people for medical services will be reduced by approximately 7.37 percent. And there will be a stuffer in that check envelope explaining that this is as a consequence. I anticipate that that will get some level of interest from the medical community.

To more specific areas, District 25——

Mr. HOYER. Before you get to that, 7.3 percent cut?

Ms. MEISINGER. Yes, 7.37 percent. The 4.3 percent reduction must be absorbed within a seven-month period, and that is why the percentages get higher.

Mr. HOYER. Go ahead.

FECA DISTRICT OFFICE 25

Ms. MEISINGER. Our number crunchers and I were discussing this earlier. We hope to have District Office 25 in new quarters shortly, which will improve the environment in which those folks have to work.

The reason I hesitate to say soon is because the move to District 25 has been a monolith in terms of working it through the system and getting in place in a new facility. The program people are using words that they have never used before, such as "shortly," so I am very optimistic that we, probably within the next four to six weeks, may be able to issue an invitation to you to come by and visit those offices.

They tell me that the furniture is in. I suspect that we need phones and other things, as well.

Mr. HOYER. I look forward to that.

The employees would probably opt not to have a phone, I suspect.

If I could go to the specifics, did we lose any folks in Office 25?

Mr. ROGERS. From January to January, last year to this January, we actually went up. The impact, though, of Gramm-Rudman-Hollings and the way we are trying to budget for it for the remainder of the year is one of freezing our staffing around the country, and

under those circumstances this office might go down if they have turnover. So we just don't know yet.

Mr. HOYER. Are we still experiencing an unusually high turnover rate within that office?

Mr. ROGERS. No. We recruited, as I think you know, quite a number of new claim examiners and lost a few at the outset. One or two actually got higher graded jobs in other places of the Government. That group has stayed on and we think they have had a very good, improving, effect on the office. And to give you, though, I think, the specifics on it, the total number of undecided cases, which is one of the issues that we have talked about over time, dropped from January, in 1985, from a number of 2,686, to this past January of 1,058. So, we took it down well over 50 percent.

Mr. HOYER. What do you project that to be in January of 1987? Do you do it on a calendar basis?

Mr. ROGERS. We look at every month and, at the point, the entire FECA system has less than 12,000 undecided cases in it. If we did everything in 45 days, it would be about 20,000 cases. So, we think we have the unadjudicated, if you want to call it that, cases; and we have pushed that number down very low. And, as a result, the hate mail is beginning to drop off, telephone calls are going down, and it gives us an opportunity to deal more positively with the people who are receiving wage loss compensation, rehabilitation services, and that is where this program is beginning to go.

And in this office, as well, their medical bill processes improved and traumatic case processes improved. It is getting better.

We are looking forward to getting them into some good space.

Mr. HOYER. Let me observe, Mr. Chairman, in closing, that my folks who deal with your district office 25 have noticed a very dramatic increase in responsiveness. My response to her was, do you think it is just us? Do you think they have targeted us? In that case, we are personally pleased, but hopefully everybody is in a similar situation.

And I will say this: I have not received inquiries from other Members who know of my particular interest in this matter in the volume that I had in 1981, 1982 and 1983. To that extent, it would appear that there has been progress, and I am grateful for that. And on behalf of all the Federal employees who rely on that office, the horror stories that we all heard, which concerned you and me, appear to be diminishing.

Ms. MEISINGER. I appreciate those comments. We have noticed that we are getting more nice letters now than we have in the past, and it is an indication of what you are experiencing as well across the country. We have got a commitment to make sure it continues.

FECA STAFFING

Mr. HOYER. The FTE, you indicated, I think, Madam Secretary, was going to go down because of the freeze.

Have you projected what that will be?

Ms. MEISINGER. A rough projection—and again, please bear with me—is 841 staff years during fiscal year 1986.

Mr. HOYER. You are at 914 now?

Ms. MEISINGER. Roughly. It is 913.

Mr. HOYER. About a 5 percent——
Ms. MEISINGER. 7.8 approximately.

FY 1986 SEQUESTRATION

Mr. HOYER. First of all, whether sequestration is going to take place, the Supreme Court is going to tell us reasonably soon, and some folks believe March 1 may be the last sequestration.

But, in any event, do you believe we can maintain the progress we have made, if we reduce by that amount of employees in that particular program, which is my particular concern if we have a problem with our computer system, which obviously is designed in part to reduce the impact of the labor-intensiveness of the duties being performed, if we reduce it by that much, will we be able to stay current?

Ms. MEISINGER. First, the Level II contract was not generally projected as a productivity issue. We hope to put in place more controls. Also, we are operating with the Level I system, and we will continue to do that while we work out the other contract issues.

We believe we can get through the remainder of the year without getting back to 1982 and 1983 problem levels. There will be some slowdown in claims processing, but we are committed to make sure that we don't dig ourselves a hole that we can't get out of.

SPACE RENTAL INCREASES

Mr. NATCHER. We note your space rental charges are going up by $3 million, or about 28 percent.

How do you account for such a large increase?

Ms. MEISINGER. Basically, while we have had no increase for rent from GSA, we do rent space that is privately held, and while we have reduced our square footage per person within the agency, the cost of the square foot by the private real estate firms has gone up, and that increase is a reflection of that.

It is also a reflection of the lifting of the GSA freeze, I am told.

PROGRAM INCREASE

Mr. NATCHER. On page 5 of your justification a large part of this increase is shown as a program increase. Is that correct?

Ms. MEISINGER. I believe that is.

Mr. NATCHER. Why should that take place? Why a program increase?

Ms. MEISINGER. It is a buy-back of Gramm-Rudman-Hollings that is in effect a program increase.

WITHIN-GRADES

Mr. NATCHER. On page 3 of the justification, you show an increase of $3,451,000 for personnel compensation and benefits.

Tell us, if you will, generally how this figure was calculated.

Ms. RICKER. This is a reflection of what the within-grade increases for our staff will cost us during the course of the year. That is the primary factor involved in this.

Mr. NATCHER. Provide a little more detail in the record when it comes back to you.

[The information follows:]

FY 1987 INCREASE IN PERSONNEL COMPENSATION AND BENEFITS

The FY 1987 increase in personnel compensation and benefits ($3,451,000) reflects resources needed to fund mandatory increases for agency personnel for within-grade promotions, career ladder promotions, and bonuses for merit pay managers and Senior Executive Service (SES) staff.

The within-grade and career ladder promotions were calculated based on the due dates current employees will be eligible to receive salary increases during FY 1987. For merit pay and SES increases, the guidelines, set forth in the Federal personnel regulations, were applied to the base salaries of managers.

WAGE HOUR COMPLAINT INVENTORY

Mr. NATCHER. On page 19, the number of wage and hour complaints in inventory is projected to increase by significant amounts in 1987.

Why does this take place?

Ms. MEISINGER. That is in part a reflection simply of some anticipated build-up that we perceive for the remainder of this year as we are attritioning down in staff.

BUDGET REQUEST FOR WAGE AND HOUR DIVISION

Mr. NATCHER. The wage and hour budget request is going up by $5,968,000 in 1987, but the staffing level actually goes down by 1.

How do you account for that?

Ms. RICKER. A combination of a number of things: some increases in the basic personnel compensation cost of the people onboard again, the within-grades, career ladder promotions, and also a reflection of increases in the space rental costs. Wage and Hour staff occupy a great many offices throughout the country. And as those space rental costs go up, then their budget has to be increased accordingly.

There is a slight increase for some of the ADP work and other kinds of contractual work going on.

Mr. NATCHER. Why did you elect not to restore the 1986 Gramm-Rudman staff reductions in the Wage and Hour Division?

Ms. MEISINGER. They have been restored, but we are also reflecting that we intend to increase productivity. So that is how it nets out.

What we are hoping to do is continue to reduce layers of overhead and fill those slots with compliance officers.

FECA LEVEL II ADP SYSTEM

Mr. NATCHER. How much are you budgeting in 1986 and 1987 for the so-called Level II ADP system in the Federal Employees Compensation Act?

Ms. MEISINGER. I believe the number for 1986 is roughly $12.3 million, and in 1987 it is roughly $11.9 million. It is dropping down a little.

There is also in the 1986 budget a two-year spending authority for $8 million, which is included, within that $12.3 million for 1986.

Mr. NATCHER. How much money do you expect to carry over from 1986 to 1987 for the level II system?

Ms. MEISINGER. It is difficult to say. We have the $8 million, and that would be the amount. But the reason for the request that we made for that carryover was because of the timing of the contract.

We are having some exchanges with the contractor right now that I am not sure what the impact will be on that whole scenario, but originally we had anticipated that since the procurement of equipment fell under that contract right about September 30, we wanted to maintain flexibility.

Mr. NATCHER. Do you feel that the agency has done an adequate job of monitoring the contract just mentioned?

Ms. MEISINGER. I believe so.

I will let Mr. Rogers have an opportunity to comment on that a little bit more.

Mr. NATCHER. Go ahead.

Mr. ROGERS. Mr. Chairman, we have had a fairly large staff group on site out of the Greenbelt office of the contractor. That was a part of our arrangement under the contract. There has been staff-to-staff work there constantly over the past two years.

We have an extensive record on the contract, and things have happened. Some things have not happened, and we went through a renegotiation process last June, reestablished timeframes for the contract, and felt that we were making significant progress with them until this past week.

I think we have looked at various aspects of the problems they brought to us, and we are prepared to talk to them about it, and hope we will work out something to bring this to satisfactory completion for us. We have worked very hard at it and some of our very best people are on site.

Mr. NATCHER. What is your latest total cost estimate for the Level II system?

Ms. MEISINGER. No change in the original cost estimate. It is a firm fixed-price contract of base amount $75 million, with the potential for government purchasing options up to a little over $100 million. There has been no change in the contract.

FECA SPECIAL BENEFITS INCREASE

Mr. NATCHER. Why do you expect FECA benefits to increase by nearly $75 million in 1987?

Ms. MEISINGER. That is a reflection of COLAs being paid. It is estimated at 4 percent, as well as Federal employee pay increase of 3 percent, and a reflection of the anticipated increase of 5.6 percent in medical costs which are tied to the CPI indeces.

FECA MEDICAL FEE SCHEDULE

Mr. NATCHER. Do you have a FECA medical fee schedule in place as of this time?

Ms. MEISINGER. I believe it is going to be published in the Federal Register within the next week. It has been cleared through OMB, and we anticipate it will be published shortly, but it will have a delayed effective date.

We ran into some need to rework with some of the computers, because of the Treasury's decision to go to a paper check instead of a cardboard check.

FECA PROCEDURAL REGULATIONS

Mr. NATCHER. What is the status of the FECA procedural regulations that you have been working on?

Ms. MEISINGER. They have also been cleared through the Department, and we hope they will be published for comment within the next four to six weeks. Because of the nature of those regulations impacting virtually every other Federal contracting agency, we anticipate that there will be some clearance time spent within the Government.

SPECIAL BENEFITS

Mr. NATCHER. On page 8 of the special benefits justification, you mention a possible 1986 problem with the Postal Service.

What do you have in mind here?

Ms. MEISINGER. We have a $39 million problem. Basically, what has happened is the appropriation for the U.S. Postal Service for fiscal year 1986 did not include financing, which it had heretofore included, for the injuries and benefits we pay for accidents or injuries arising prior to the establishment of the U.S. Postal Service.

We have been in correspondence with the Postal Service, but they are of the opinion that their legal authority in terms of paying that workers' compensation bill is limited by their very authorizing statute. And while there was committee report language directing them to pay that $39 million tab, they don't believe that their statute authorizes them to make that kind of a payment. So we are anticipating a $39 million problem in that area.

Mr. NATCHER. If the Postal Service does not pay, what would be the supplemental request?

Ms. MEISINGER. I believe $39 million.

BLACK LUNG BENEFIT PAYMENTS

Mr. NATCHER. You estimate that Black Lung benefit payments will increase by $24,593,000 in 1987, or just over four percent.

Why do you expect this increase if the number of beneficiaries is expected to decrease by 8,370 or just over 5 percent?

Ms. MEISINGER. I believe it is a combination of cost of living pay increases for Federal employees, which the benefit levels are tied to, as well as the fact that it is an aging population, and with an aging population there are higher medical bills that come hand-in-hand with that.

Mr. ROGERS. In addition, there has been, as you are aware, a fairly lengthy time for appeals when benefits have been denied. What happens in that time period, very often, people, when they applied, did not have the medical conditions that would support Black Lung eligibility and have over the years developed the symptoms. By the time they get to the administrative law judges—and when they appear, the administrative law judges approved their payments, so we are seeing a number of retroactive payments now that people actually have the disease.

OFFICE OF FEDERAL CONTRACT COMPLIANCE

Mr. STOKES. Your budget justification lists 4,945 compliance reviews to be undertaken by the OFCCP in fiscal year 1986.

Is this still an accurate estimate?

Ms. MEISINGER. Yes, sir.

Mr. STOKES. What accounts for the drop in compliance reviews between fiscal year 1985 and 1986?

Ms. MEISINGER. That has been a revised estimate based on what we forecast the impact to be of the Gramm-Rudman-Hollings cut. We will be attritting down to the extent that we can, and if we don't save enough as a result of attrition we may end up with a furlough, and that reflects approximately 130. Also, the drop reflects the change that I described earlier from counting desk audits to translating that number to full-scale investigations which take more time per person. In large part, it is Gramm-Rudman-Hollings.

QUALITY OF COMPLIANCE REVIEWS

Mr. STOKES. Do you have any concern about the quality of your compliance reviews, particularly in light of the fact that there is a problem with your follow-up afterwards?

Ms. MEISINGER. That is a two-part question. Quality is an ongoing concern that we have, and, we have looked at that to see where we need to improve our quality in compliance reviews. We have an ongoing accountability review function within the National Office, as well as in the regional offices, where we send in a team to do spot-checks on case files to ensure that they have been handled consistent with policy and direction.

In addition, we have been concerned that the staff not interpret the hours standards that we use for program planning purposes, which is a rough number of about 155 hours for an investigation; but that is not a cap. It is just what we use for planning purposes. But to ensure that people don't take that as a limitation on their ability and don't cut back too much, we have kept that number constant.

While in fiscal year 1985, I believe the average time spent on a compliance review was about 125 hours, we have maintained that 155-hour measurement for program planning standards.

Monitoring conciliation agreements where there is a follow-up report required, and the IG expressed some concern about that in his report, is a part of that accountability review process. Because it was raised by the IG, it is an area that Mr. Cooper is going to be looking at more closely in that accountability process.

Mr. STOKES. Have you developed any plans in that respect, Mr. Cooper?

Mr. COOPER. What we are currently doing, we have brought in a consulting firm to take a look at our entire quality and management system, and this firm is now in place. They are working with us, and hopefully we will be in a better position to see some improvements.

OFCCP STAFFING

Mr. STOKES.

Your staffing is projected to drop from 958 FTEs in 1985 to 910 FTEs in 1987.

How do you think this reduction in FTEs will affect your enforcement activities?

Ms. MEISINGER. We are committed to maintaining our enforcement activities. As was pointed out in the IG report—and we have been aware of for some time—we have got a problem with overhead in the agency. We hope to move those slots, as they become vacant, and where we can, so we can eliminate unnecessary supervisory levels and levels of review and change those FTEs into enforcement ones. So while the overall numbers may drop, we hope to maintain the number of investigative staff.

Mr. STOKES. That was another area identified by the IG.

Ms. MEISINGER. I believe, in fact, that the revised 1986 estimate of investigative staff is 469, and the 1987 projection is about 500. So, we are working in that direction.

OFCCP DESK AUDITS VS. ON-SITE REVIEWS

Mr. STOKES. Now, you conduct desk audits as well as on-site reviews.

Which is the more effective enforcement tool?

Ms. MEISINGER. Desk audits are not a rule of thumb. We do many, many more on-site reviews. And one of our proposals was to give ourselves more flexibility to do more desk audits.

Effectiveness, it is difficult to say which is more effective. It depends on what the particular profile of the contractor is with which we are dealing and what we are able to gain from the documentation they submit to us.

To the extent that they submit to us inadequate information, then in that case an on-site is much more effective and we would do so. However, to the extent they give us adequate documentation, explanation, information, and it is not necessary to spend the travel monies to go out and do it on site. I prefer that we have that flexibility so that where we find a contractor who doesn't have a good profile, we can afford to go out and investigate them.

BACK PAY AGREEMENTS

Mr. STOKES. In your budget justification, you reported $1.9 million obtained in back pay agreements.

Are these awards only for identified victims of discrimination?

Ms. MEISINGER. I don't have those numbers in front of me, but it is the agency's policy when we uncover discrimination and remedy that, we do seek the identifiable victims of that discrimination.

Mr. STOKES. As opposed to a class of people; right?

Ms. MEISINGER. Absolutely, yes.

Mr. STOKES. Is this a change in policy?

Ms. MEISINGER. The former Director adopted this policy, and it has been in place since some time in 1981, I believe.

Mr. STOKES. So that would be carrying forth the same policy?

Ms. MEISINGER. Yes, sir.

Mr. STOKES. Thank you.

Ms. MEISINGER. There has been some modification. When I was Acting Director, I did put in place a provision that, to the extent that an investigation indicated a class problem, and to the extent that there was evidence that it would be near impossible to locate individual victims, and the regional office believed that a formula relief approach was appropriate, that upon submission to the office of the Director—that was the National Office for review to determine if that was indeed the case—that there might be exceptions to that absolute.

I did not exercise that, because none were sent forward except a couple, and litigation-type issues that we talked with the Solicitor's office on.

Mr. STOKES. Was this a policy decision made at your level?

Ms. MEISINGER. At that time, I was the Acting Director of the Federal Office of Contract Compliance Programs.

Mr. STOKES. You made the policy decision?

Ms. MEISINGER. Yes, that was mine.

Mr. NATCHER. Mr. Hoyer?

Mr. HOYER. No further questions.

Mr. NATCHER. Ms. Meisinger, we want to thank you for appearing before the committee at this time in behalf of your budget requests for fiscal year 1987. It has been a good hearing. Thank you very much.

[The following questions were submitted to be answered for the record:]

OFFICE OF FEDERAL CONTRACT COMPLIANCE PROGRAMS

Mr. Natcher: Last September, as you know, the Department's Inspector General issued an audit report that was quite critical of the Office of Federal Contract Compliance Programs (OFCCP). I will quote briefly from the Inspector General's latest semiannual report: "Our survey disclosed that OFCCP's organization and structure is impaired by excessive overhead, high grade levels, inefficient field structure, duplication and overlap, redundant layers of review, and inadequate staff time reporting." What is your response to that?

Ms. Meisinger: OFCCP had several initiatives well underway at the time the Office of Inspector General (OIG) report was issued. In both FY 1985 and FY 1986, overhead full-time equivalent (FTE) staff years were reduced and enforcement FTEs were increased. In July 1985, a plan to reduce overgrading in the field was finalized. In March 1986, The National Office structure was reorganized.

Because of the OIG concerns and Gramm-Rudman-Hollings reductions, OFCCP is reviewing the regional office structure to ascertain if the structures should be redesigned. We will examine where economies may be realized by collocation.

OFCCP is presently studying the various levels of review that take place both at the regional and National Office levels. Where unnecessary review levels exist, they will be eliminated.

OFCCP does not require a clerical or managerial activity tracking system. ESA reporting systems provide management with staffing and FTE utilization on a monthly basis for the regions and the National Office.

Mr. Natcher: Has the task force that you established on this matter submitted its report?

Ms. Meisinger: Yes. The work of this group has been completed and a draft report was submitted to me on February 6, 1986.

Mr. Natcher: The Office of the Inspector General spends a good deal of time examining programs in your agency. On the whole, do you feel that the Inspector General audit reports are useful to you in managing your agency?

Ms. Meisinger: Yes. Although many of the issues raised in the OIG report were already being addressed by the Agency, it is helpful to have the views of someone outside of the Agency. One of my greatest concerns, however, is that the OIG may limit its evaluation to only one or two regions and make generalizations that the problems are nationwide. Too narrow a base for study could result in faulty conclusions or overlook problem areas.

FECA LEVEL II

Mr. Natcher: We understand that the contractor for the Level II system has performed in a less than satisfactory manner. What steps have you taken to overcome these problems? Would you now say that the contractor is performing up to the Government's expectations? If not, what additional steps are you taking to protect the Government's interests?

Ms. Meisinger: We have experienced difficulties in the Level II contract with Martin Marietta Data Systems in terms of contractor performance. We have, however, provided intensive oversight and monitoring of the contract from its inception. That oversight includes 16 Department of Labor full-time employees on-site at the Martin Marietta Data Systems workplace, a significant number of other Department of Labor employees who spend a substantial amount of time devoted to contract administration, and a separate contractor who is also providing support to the Department in contract monitoring, oversight, and testing activities. Most recently, as a result of a projection by Martin Marietta Data Systems of an additional delay of five to six and one-half months, we issued a "cure order" requiring the contractor to show cause why it should not be held in default of the contract. In essence, the intensive monitoring and oversight coupled with appropriate procurement remedies to deal with inadequate contractor performance are the steps we have taken to protect the interests of the Government.

Mr. Natcher: What is the current status of the system?

Ms. Meisinger: On February 18, 1986, Martin Marietta Data Systems notified the Government that it was five to six and one-half months behind in the performance of the contract that was agreed to in a Memorandum of Agreement dated June 5, 1985. As a result of that letter, we issued a cure letter to Martin Marietta Data Systems on February 26, 1986, which asked the contractor to show cause why it should not be held in default of the contract. We received a response to that letter on March 6, 1986, and we are currently reviewing that response.

FEDERAL EMPLOYEES' COMPENSATION ACT

Mr. Conte: With regard to the Workers' Compensation program for Federal Employees, the two largest problems that have been pointed to over the years are the fact that in the upper GS pay levels, someone can earn more on disability than if they were working, and second, that no medical fee schedule was in place to help moderate costs. Have you sent up legislation yet to rectify the situation relating to the generosity of Federal disability payments?

Ms. Meisinger: ESA is aware of the questions raised about inequities in Federal employees' compensation benefit structure and has addressed the questions in various ways in past legislative proposals. These have included options to make compensation benefits taxable as income for Federal income tax purposes, pay benefits at 80 percent of the spendable income level of the beneficiary, or eliminate augmented benefits for dependents.

Most recently, the Administration proposed legislation on July 27, 1983, to amend the Federal Employees' Compensation Act (FECA), but no Congressional action was taken. This proposal would have set disability and death benefits at a flat 66 2/3 percent of gross pay with no augmented benefits for dependents. It would also have lowered the cap on disability benefits so that compensation benefits would not approach or exceed pre-disability after tax income for high salaried employees.

The proposed comprehensive tax reform legislation submitted by the Administration in May 1985, contained a recommendation to tax workers' compensation benefits, including FECA. The FECA benefit structure was then examined in the context of the tax reform proposal, since the tax proposal affects the net benefit levels. However, it would be premature to pursue FECA legislative reform at this time until the situation regarding tax reform becomes a little clearer.

Mr. Conte: And where do things stand with regard to promulgating a medical fee schedule?

Ms. Meisinger: The FECA Medical Fee Schedule regulations have been approved at all levels of review and were published in the Federal Register on March 10. Implementation will be 90 days after publication.

Mr. Conte: What savings would result from each of these?

Ms. Meisinger: Any savings in compensation costs is a function of the benefit structure proposed, the implementation date, and the handling of cases currently being compensated. The issue of someone in an upper GS pay level receiving more in compensation benefits than in take home pay has never been addressed in isolation, but only as part of an overall restructuring of benefit levels to achieve a more equitable distribution of compensation benefits at all pay levels. For example, the Administration proposed

legislation in 1981 that would have set benefit levels at 80 percent of pre-disability spendable income, resulting in reduced benefits for upper GS pay level employees, but with little or no reduction for lower GS pay level employees. The 1983 legislative package, however, set benefits at a flat 66 2/3 percent of gross pay (with no augmented benefits for dependents) while lowering the cap on disability benefits. Since the majority of beneficiaries have dependents, this would have resulted in a reduced benefit rate for the majority of beneificiaries, including those at both ends of the GS pay scale. Although cost savings estimates were developed for each of these legislative packages, at the time they were developed, the figures were for the overall restructuring of benefit levels. There are no data available on the savings generated by lowering benefits only for those beneficiaries who receive more in compensation benefits than they had received in take home pay.

The medical fee schedule is expected to reduce total annual medical costs by 3 - 4 percent, or $6 - $8 million per year in current dollars. However, the fee schedule was not designed primarily to reduce costs, but rather as a cost containment device that would put a limit on the amount of reimbursement to the small percentage of medical providers whose fees are well above the average fees charged for a given medical procedure. Most medical providers will not have their fees reduced by the fee schedule.

Mr. Conte: In your justification, on page SB-8, you note a special problem in the collection of reimbursements from other agencies under the FECA program. Specifically, you say that the Postal Service did not receive an appropriation to cover the FECA costs incurred by the former Post Office Department prior to July 1, 1971, and that the Postal Service has unofficially informed the Department that it does not intend to pay the $39 million it owes the Fund. You say that should this occur, the Department will be unable to meet its obligations within existing resources. Spell that out for us. If this occurs, exactly what is going to happen?

Ms. Meisinger: Our current projections are that without the $39 million reimbursement from the Postal Service to cover the costs of injuries incurred by Postal Service employees prior to July 1, 1971, the Federal Employees' Compensation Special Fund will run out of money before the end of the fiscal year. If we run out of money between September 15 and October 1, 1986, it is possible to drawdown money from next year's appropriation. If, however, the shortfall occurs prior to September 15, lacking either drawdown authority or sufficient budget authority, we would have to curtail payments to claimants.

Neither of these alternatives is desirable. It is our hope that Congress will provide the Postal Service, either in its appropriation or in a supplemental appropriation, the funds necessary to cover the incurred costs.

Mr. Conte: The FECA program is subject to sequester under Gramm-Rudman-Hollings. How do you sequester funds from a mandatory program like this, without cutting payments to which individuals are legally entitled, and without subjecting yourself to a rash of law suits?

Ms. Meisinger: We have been advised by the Congressional Budget Office and the Office of Management and Budget that Gramm-Rudman-Hollings takes precedence over the Federal Employees' Compensation Act in this regard and that payments for medical and related services made after March 1, 1986, must be reduced by 7.37 percent. While lawsuits may be filed, it is our understanding that we have no choice but to follow the reductions imposed by the Balanced Budget and Emergency Deficit Control Act of 1985.

OFFICE CLOSINGS

Mr. Conte: You mention in the general narrative of your justification that strong emphasis will be placed on measures such as office closings. What are you planning in this regard?

Ms. Meisinger: Regarding office workload shifts, OWCP has two initiatives. One is to phase down the FECA Honolulu District Office in FY 1986. The other is to phase out the Black Lung field stations in FY 1987.

Honolulu has the smallest workload of any FECA district office, receiving only 2,213 cases last year out of a program total of 166,362. Phasing down the Honolulu office will save computer hardware, software, and maintenance costs, as well as costs associated with systems managers and computer operators. To save costs, the workload would be shifted to the San Francisco District Office. The case processing and case management would be done via the San Francisco computer system.

The Honolulu office would still be open for inquiries and the staff will have available an on-line interactive terminal which will provide up-to-date information on a claimant's case. It is estimated that the five year savings for the computer system and its operator would be over $2.0 million. The timetable for the workload shift calls for all workload to be transferred to the San Francisco District Office by July of this year.

A primary initiative that Black Lung management will undertake to improve productivity will be to transfer the staff currently allotted to the field stations to the district offices and phase out the field stations. The work performed by field station staff does not significantly contribute to program productivity since they do not have responsibility for claims adjudication or maintenance. Their primary function has been to provide general information on program requirements and procedures. With the reduction in incoming claims over the past few years, this function can be assimilated by the district offices. Involved are 21 one-person contact offices, many of which are currently being operated on a part-time basis. The staffing is equivalent to 13 full-time employees at the GS 4-7 levels. Transfer of these experienced personnel would enable us to

utilize their skills in the case development and adjudication processes, as well as the inquiry response functions which they currently perform.

Mr. Conte: You're not going to resurrect the Small Region Initiative, are you?

Ms. Meisinger: No. The only planned office changes for OWCP are the phase down of the FECA Honolulu District Office in FY 1986 and the phase out of the Black Lung field stations in FY 1987. Their workload would be assimilated by other district offices within the same region. There are currently no plans to consolidate any of the regional offices.

MIGRANT AND SEASONAL AGRICULTURAL WORKER PROTECTION ACT

Mr. Roybal: MSPA imposes sanctions upon farm labor contractors for employing undocumented workers. Have these sanctions proved effective in reducing the number of undocumented workers employed as migrant and seasonal farmworkers?

Ms. Meisinger: Section 106 of Migrant and Seasonal Agricultural Worker Protection Act (MSPA) prohibits any farm labor contractor from recruiting, hiring, employing, or using, with knowledge, the services of any individual who is an alien not lawfully admitted for permanent residence or who has not been authorized by the Attorney General to accept employment. The sanctions prescribed for violation of this provision include denial of a certificate of registration as a farm labor contractor and/or the assessment of civil money penalties for each undocumented worker employed.

These same sanctions were available under MSPA's predecessor statute, the Farm Labor Contractor Registration Act (FLCRA). There has been a decline in the total number of undocumented workers found by the Wage and Hour Division to be employed by farm labor contractors since the enactment of MSPA on April 14, 1983 as compared to the same time span under FLCRA.

Number of Undocumented Workers

FLCRA:	FY 1980 - 3,995	MSPA:	FY 1983 - 1,624
	FY 1981 - 2,364		FY 1984 - 1,345
	FY 1982 - 1,343		FY 1985 - 2,077
	7,702		5,046

However, there are no data available on the total number of undocumented workers employed in agriculture.

Mr. Roybal: Since 1983, how many criminal actions have been filed against farm labor contractors for hiring undocumented workers and in how many cases have criminal sanctions been imposed?

Ms. Meisinger: Criminal actions against farm labor contractors for hiring undocumented workers are filed by the Department of Justice. That agency has indicated their statistics on the number of such cases filed and the number of criminal sanctions imposed are not reported with sufficient specificity to ascertain whether undocumented workers were involved.

Mr. Roybal: Since 1983, how many cases of farm labor contractors hiring undocumented farmworkers have MSPA investigations documented?

Ms. Meisinger: Two full years of information are available since MSPA became effective. In FY 1984, undocumented workers were employed by farm labor contractors in 164 investigations. In FY 1985, undocumented workers were found in 153 investigations. In the first quarter of FY 1986 undocumented workers were found in 47 investigations.

Mr. Roybal: Since the enactment of MSPA in 1983, how have the working, health and living conditions of migrant and seasonal farmworkers changed?

Ms. Meisinger: We believe that MSPA has had a positive impact on the working and living conditions of migrant workers since it was enacted in 1983. Prior to the 1983 amendments, migrant housing was covered under FLCRA only where the housing was owned or controlled by a farm labor contractor. Now, essentially all migrant worker housing is covered under the Act. Since 1983, we have increased the number of housing inspections from 873 in 1983 to 1,137 in 1985. The total number of investigations completed has increased from 3,328 in 1983 to 4,269 in 1985 with some 136,000 migrant workers receiving the benefit of our investigations in 1985. While it is difficult to determine, with any precision, changes in working and living conditions which are directly attributable to the MSPA legislation, we believe the legislation coupled with our increased level of enforcement has resulted in improvements to the conditions surrounding migrant worker employment.

Mr. Roybal: Based upon investigations conducted under MSPA, are employers voluntarily complying with the requirements of the Act at a greater rate now than they did when it was first enacted?

Ms. Meisinger: Yes. The number of investigations indicating compliance has shown an increase. Only two full years of investigation history are available under the Act but the trend appears to indicate a slight increase in compliance. There was a 1.2 percent increase in compliance between FY 1984 and FY 1985.

SPECIAL TARGETED ENFORCEMENT PROGRAM

Mr. Roybal: What are the preliminary results of Special Targeted Enforcement Program (STEP) investigations conducted in FY 1986 and how do they compare with the results of the FY 1985 investigations in terms of violations found and penalties imposed?

Ms. Meisinger: The STEP program is ahead of last year when the first four months of FY 1985 are compared to the first four months of FY 1986. Some 6,121 STEP compliance actions have been completed so far this year compared to the same time period last year when 5,408 actions were completed. The investigations disclosed underpayments of $18.9 million for 69,099 workers during the first four months of FY 1986 versus $12.8 million for 52,525 employees during the same period of FY 1985. Employer agreements to pay back wages during the first four months of FY 1986 totaled $14.8 million to 61,526 workers. In the same period in FY 1985 there were agreements to pay back wages in the amount of $10.8 million to 47,559 employees.

Mr. Roybal: Can you determine whether the level of compliance with wage and hour standards in the industries generally targeted under the STEP program has increased or decreased since the program began?

Ms. Meisinger: We are not able to determine the level of compliance in any targeted industry as a result of the STEP program. The results, however, continue to increase. In FY 1984, a total of 16,860 STEP actions were completed with $37.5 million found due 151,900 employees and $27.7 million recovered in back wages for 127,500 employees. In FY 1985, a total of 17,287 STEP actions were completed with $39.7 million found due 156,000 employees and $28.5 million recovered in back wages for 131,100 employees.

Mr. Roybal: How does the Department propose to conduct 500 more compliance investigations in FY 1987 than it did in FY 1986?

Ms. Meisinger: The Wage and Hour Division plans to increase the number of STEP compliance actions from 17,900 to 18,700 from FY 1986 to FY 1987. In FY 1986, Wage and Hour will reach its budgeted full-time equivalent (FTE) staff year level of 1,428 through attrition. The attrition is expected from both compliance officers and management and support positions. When these vacancies are refilled in FY 1987, the mix of COs to management and support staff will change so that there will be more compliance officers employed in FY 1987 than FY 1986. This will be accomplished through the elimination of some of the vacant management and support positions.

Mr. Roybal: Why did the number of STEP compliance investigations fall from 17,287 in FY 1985 to an estimated 15,300 in FY 1986?

Ms. Meisinger: The 15,300 STEP investigation originally estimated for FY 1986 is in error. We now estimate that about 17,900 investigations will be completed in FY 1986 and have formally notified the Committee of the revised figure.

EMPLOYMENT STANDARDS ADMINISTRATION

SALARIES AND EXPENSES

	Page No.
Appropriation language	1
Amounts available for obligation	2
Summary of changes	3
Budget Authority by activity	7
Budget Authority by object	8
Significant items in FY 1986 House and Senate Appropriations Committees Reports	9
Authorizing legislation	11
Appropriation history	13
Justification:	
Appropriation	14
General statement	14
Activities:	
Enforcement of Wage and Hour Standards	17
Federal Contractor EEO Standards Enforcement	23
Federal Programs for Workers' Compensation	28
Executive Direction and Support Services	38
List of new positions required	42
Advisory and assistance services	43
Detail of permanent positions	44

EMPLOYMENT STANDARDS ADMINISTRATION

SALARIES AND EXPENSES

For necessary expenses for the Employment Standards Administration, including reimbursement to State, Federal, and local agencies and their employees for inspection services rendered, [$190,318,000, of which not to exceed $8,000,000 shall be available for obligation through September 30, 1987, for acquisition of computer equipment and software for the Federal Employees' Compensation Level II system,] *$192,709,000*, together with [$406,000] *$441,000*, which may be expended from the Special Fund in accordance with Sections 39(c) and 44(j) of the [Longshoremen's] *Longshore* and Harbor Workers' Compensation Act. *(5 U.S.C. 8101-50, 8171(a)(2); 15 U.S.C. 1671-77; 20 U.S.C. 951-63; 29 U.S.C. 31-42, 201-19, 251-62, 553, 793; 30 U.S.C. 934, 934a; 33 U.S.C. 901-50; 38 U.S.C. 2012; 40 U.S.C 267a, 267c; 41 U.S.C. 35-45, 328-33, 351-57; 42 U.S.C. 1651-54, 1701-17, 2000e nt; 43 U.S.C. 1333(c); title 36 of the District of Columbia Code; 59 Stat. 1263, 64 Stat. 1268; Executive Order 11136 of January 3, 1964; Department of Labor Appropriation Act, 1986.)*

ESA-2

AMOUNTS AVAILABLE FOR OBLIGATION

	1985		1986		1987	
	FTE	Amount	FTE	Amount	FTE	Amount
Appropriation	3,720	$192,582,000	3,630	$190,318,000	3,572	$192,709,000
Sequestered under P.L. 99-177	---	---	-113	-8,178,000	---	---
Revised appropriation	3,720	192,582,000	3,517	182,140,000	3,572	192,709,000
Comparative transfer to: Departmental Management	-17	-804,000	-17	-849,000	---	---
A. Subtotal, appropriation (adjusted)	3,703	191,778,000	3,500	181,291,000	3,572	192,709,000
Offsetting collections from: Trust funds available for financing the administrative costs related to the Black Lung Disability Trust and the Longshore and Harbor Workers' Trust	435	24,976,000	434	25,887,000	405	26,267,000
Sequestered under P.L. 99-177	---	---	-17	-1,113,000	---	---
Revised offsetting collections	435	24,976,000	417	24,774,000	405	26,267,000
Comparative transfer to: Departmental Management	-2	-96,000	-2	-101,000	---	---
Subtotal, Offsetting Collections	433	24,880,000	415	24,673,000	405	26,267,000
Unobligated balance lapsing due to Section 515 withholdings 1/	---	---	---	-131,000	---	---
B. Total Available Budget Authority	4,136	$216,658,000	3,915	$205,833,000	3,977	$218,976,000

1/ Withheld from obligation pursuant to Section 515 of the Treasury, Postal Service, and General Government Appropriations Act as referenced in the full year continuing resolution for 1986, P.L. 99-190.

SUMMARY OF CHANGES

	1986	1987	Net Change
Budget Authority:			
General Funds	$181,160,000	$192,709,000	+$11,549,000
Trust Funds	24,673,000	26,267,000	+1,594,000
Total	$205,833,000	$218,976,000	+$13,143,000
Full-time Equivalent:			
General Funds	3,500	3,572	+72
Trust Funds	415	405	-10
Total	3,915	3,977	+62

	Trust Funds		General Funds		Total	
	FTE	Amount	FTE	Amount	FTE	Amount
Explanation of Change:						
Increases:						
A. Built-in:						
Net additional costs for personnel compensation and benefits	---	+$190,000	---	+$3,261,000	---	+$3,451,000
To provide for increase in the Federal Employees' Compensation Fund	---	+53,000	---	+116,000	---	+169,000
To provide for increased costs associated with permanent change of station moves	---	+42,000	---	+15,000	---	+57,000
To provide for increased costs of travel and transportation of things	---	+38,000	---	+376,000	---	+414,000
To provide for increased costs related to ADP contracts	---	+293,000	---	---	---	+293,000
Working Capital Fund increase	---	---	---	+395,000	---	+395,000
To provide for increased costs for supplies and equipment	---	+13,000	---	+17,000	---	+30,000
To provide for increased costs related to space rental	---	+132,000	---	+1,222,000	---	+1,354,000

ESA-4

	Trust Funds		General Funds		Total	
	FTE	Amount	FTE	Amount	FTE	Amount
To provide for increased costs related to utilities and other rentals and other services	---	+29,000	---	+656,000	---	+685,000
To provide for increased costs relating to printing .	---	+2,000	---	+32,000	---	+34,000
Subtotal	---	+792,000	---	+6,090,000	---	+6,882,000
B. Program:						
To provide for increased staffing and costs related to the Wage and Hour Division to provide for increased workload related to the Garcia decision	---	---	+10	+$451,000	+10	+$451,000
(1986 Base: FTE 1,428 Budget Authority $73,406,000).						
To provide for increased staffing and costs related to the Wage and Hour Division enforcement activities	---	---	+13	+2,171,000	+13	+2,171,000
(1986 Base: FTE 1,428 Budget Authority $73,406,000).						
To provide for increased staffing and costs related to the OFCCP program compliance activities.....	---	---	+29	+2,281,000	+29	+2,281,000
(1986 Base: FTE 900 Budget Authority $44,050,000).						
To provide for increased staffing and costs related to the Workers' Compensation programs to assure adequate claims and payment processing	+13	+1,267,000	+75	+2,312,000	+88	+3,579,000
(1986 Base: FTE 1,374 Budget Authority $79,609,000).						

	Trust Funds		General Funds		Total	
	FTE	Amount	FTE	Amount	FTE	Amount
To provide for increased staffing and costs related to the EDSS activities	+4	+160,000	---	+163,000	+4	+323,000
(1986 Base: FTE 213 Budget Authority $13,436,000).						
To provide for increased costs related to space rental	---	+166,000	---	+1,522,000	---	+1,688,000
(1986 Base: FTE 1,915 Budget Authority $210,501,000).						
To restore the amount withdrawn from obligation for advisory and assistance services pursuant to P.L. 99-190.....	---	---	---	+131,000	---	+131,000
(1986 Base: FTE 1,915 Budget Authority $210,501,000).						
Subtotal	+17	+1,593,000	+127	~9,031,000	+144	+10,624,000
Total Increase	+17	+2,385,000	+127	+15,121,000	+144	+17,506,000
Decreases:						
A. Built-in:						
To provide for decreased costs related to ADP contracts	---	---	---	-2,103,000	---	-2,103,000
Working Capital Fund decrease	---	-111,000	---	---	---	-111,000
Subtotal	---	-111,000	---	-2,103,000	---	-2,214,000

ESA-6

	Trust Funds		General Funds		Total	
	FTE	Amount	FTE	Amount	FTE	Amount
B. Program Decreases:						
Savings achieved through productivity improvements ..	-27	-680,000	-55	-1,469,000	-82	-2,149,000
(1986 Base: FTE 3,915 Budget Authority $210,501,000).						
Subtotal	-27	-680,000	-55	-1,469,000	-82	-2,149,000
Total Decrease	-27	-791,000	-55	-3,572,000	-82	-4,363,000
Total Change	-10	+1,594,000	+72	+11,549,000	+62	+13,143,000

BUDGET AUTHORITY BY ACTIVITY

Budget Authority applied to General Funds:	1985 Comparable 1/ FTE	1985 Comparable 1/ Amount	1986 Appropriation FTE	1986 Appropriation Amount	1986 Estimate 1/ FTE	1986 Estimate 1/ Amount	1987 Estimate FTE	1987 Estimate Amount	Change FTE	Change Amount
1. Enforcement of wage and hour standards ..	1,476	$73,498,000	1,446	$73,565,000	1,428	$70,090,000	1,427	$76,058,000	-1	+$5,968,000
2. Federal contractor EEO standards enforcement	958	46,361,000	935	45,639,000	900	43,393,000	910	45,935,000	+10	+2,542,000
3. Federal programs for workers' compensation	1,072	59,301,000	1,055	58,921,000	978	56,186,000	1,047	58,105,000	+69	+1,919,000
4. Executive direction and support services	197	12,618,000	194	12,193,000	194	11,491,000	188	12,611,000	-6	+1,120,000
Subtotal	3,703	191,778,000	3,630	190,318,000	3,500	181,160,000	3,572	192,709,000	+72	+11,549,000
Budget Authority applied to Trust funds:										
3. Federal programs for workers' compensation	409	23,775,000	411	25,015,000	396	23,838,000	382	25,063,000	-14	+1,225,000
4. Executive direction and support services	24	1,105,000	23	872,000	19	835,000	23	1,204,000	+4	+369,000
Subtotal	433	24,880,000	434	25,887,000	415	24,673,000	405	26,267,000	-10	+1,594,000
Total Budget Authority	4,136	$216,658,000	4,064	$216,205,000	3,915	$205,833,000	3,977	$218,976,000	+62	+$13,143,000

1/ Included in 1985 and 1986 Estimate above:
- Sequestered under P.L. 99-177 ..... - $9,291,000 and -130 FTE in 1986.
- Withdrawal pursuant to P.L. 99-190 ..... -$131,000 in 1986.
- Comparative transfer to Departmental Management -$900,000 and -19 FTE in FY 1985 and -$950,000 and -19 FTE in FY 1986.

ESA-8

BUDGET AUTHORITY BY OBJECT

	1985 Comparable	1986 Estimate	1987 Estimate
Total number of full-time permanent positions	4,161	4,134	4,097
Full-time equivalent:			
Full-time in permanent positions	4,136	3,915	3,977
Other positions	---	---	---
Total	4,136	3,915	3,977
Average ES salary	$66,843	$68,073	$68,641
Average GM/GS grade	9.76	9.75	9.75
Average GM/GS salary	$30,321	$29,289	$30,827
Personnel Compensation:			
Permanent Positions	$127,119,000	$122,089,000	$127,282,000
Other personnel compensation	72,000	50,000	53,000
Subtotal, personnel compensation	127,191,000	122,139,000	127,335,000
Personnel benefits	16,780,000	16,308,000	17,964,000
Benefits for former personnel	166,000	234,000	234,000
Travel and transportation of persons	5,372,000	3,883,000	5,184,000
Transportation of things	299,000	177,000	406,000
Space Rental	10,613,000	10,891,000	13,933,000
Communications, utilities, and other rent	3,742,000	3,168,000	3,486,000
Printing and reproduction	848,000	787,000	891,000
Other services 1/	49,059,000	46,881,000	47,854,000
Supplies and materials	834,000	862,000	857,000
Equipment	1,754,000	503,000	832,000
Total, budget authority by object	$216,658,000	$205,833,000	$218,976,000
Working Capital Fund obligations included above	(15,138,000)	(14,416,000)	(14,680,000)
Advisory and Assistance Services included above	(141,000)	(101,250)	(131,000)
1/ Includes the following amounts for services of other agencies:			
Department of Labor:			
Bureau of Labor Statistics	(2,400,000)	(2,025,000)	(2,330,000)
Department of Health and Human Services:			
Social Security Administration	(500,000)	(400,000)	(400,000)

SIGNIFICANT ITEMS IN FY 1986
HOUSE AND SENATE APPROPRIATIONS COMMITTEES REPORTS

Item	Action Taken or to be Taken
1986 House Report (No. 99-289)	
Federal Employees' Compensation Program	
"The Committee notes with concern that, once again, the Federal Employees Compensation Act (FECA) Level II computer system will not meet its previously scheduled completion date. The Committee cannot judge whether the failure to perform as contracted comes more from the contractor or from the quality of government supervision, but further delay will be sufficient reason to investigate its causes in depth. For the moment, the Committee should be kept informed of progress on the system as outlined in last year's Report. In addition, ESA is reminded that any change in the amount or use of funds provided herein for the system from the way justified to the Committee must follow the normal reprogramming procedure."	ESA will continue to report to the Committee on the progress as directed.
1986 Senate Report (No. 99-151)	
Federal Employees' Compensation Program	
"The Committee has included appropriation language requested by the administration that would extend the availability of up to $8,000,000 in fiscal year 1986 appropriations through fiscal year 1987. The extension would provide flexibility in the procurement of computer equipment and associated software for the level II Federal employees' compensation ADP system. The Committee, nevertheless, remains concerned by delays in the scheduled completion of the level II computer system, and expects the Department to continue sending regular progress reports highlighting problems with implementation."	ESA will continue to report to the Committee on the progress as directed.

ESA-10

Black Lung Program

"In 1982, there were 25 black lung field offices which processed telephone and walk-in inquiries for black lung beneficiaries and claimants. During fiscal year 1986 budget oversight hearings before the Senate Appropriations Subcommittee on Labor, Health and Human Services, Education, and Related Agencies, the Labor Department testified that there were no plans to close any of the black lung field offices. Again, the Committee reiterates its position that the Department of Labor is expected to take no action to close the black lung field offices, and that these offices will remain staffed.

While ESA is committed to not decreasing service to Black Lung claimants, under P.L. 99-177, it will be necessary to review all office operations to ascertain whether or not savings can be realized without an adverse impact on the program.

1986 Conference Report (No. 99-402)

No specific actions recommended.

AUTHORIZING LEGISLATION

Legislation	Budget Request 1986	Budget Request 1987
Authorizing legislation containing indefinite authority		
Fair Labor Standards Act of 1938, approved June 25, 1938, P.L. 75-718, as amended		
Walsh-Healey Public Contracts Act, approved June 30, 1936, P.L. 74-846, as amended		
Consumer Credit Protection Act (Title III - Restriction on Garnishment), approved May 29, 1968, P.L. 90-321		
Contract Work Hours and Safety Standards Act, approved August 13, 1962, P.L. 87-581, as amended		
Farm Labor Contractor Registration Act of 1963, approved September 7, 1964, P.L. 88-582, as amended		
Service Contract Act, approved October 22, 1965, P.L. 89-286, as amended		
Davis-Bacon Act, approved March 3, 1931, P.L. 74-403, as amended and related acts		
Migrant and Seasonal Agricultural Worker Protection Act, approved January 14, 1983, P.L. 97-470		
Total	$72,962,000	$79,210,000

ESA-12

Rehabilitation Act of 1973, (Section 503) September 26, 1973, P.L. 93-112 as amended		
Vietnam Era Veterans' Readjustment Assistance Act of 1974, (38 U.S.C. 2012) December 3, 1974, P.L. 93-508 as amended		
Executive Order 11246, issued September 24, 1965, as amended		
Total	46,266,000	49,088,000
Federal Employees' Compensation Act approved September 7, 1916, 5 U.S.C. Chapter 81	52,692,000	54,787,000
Longshore and Harbor Worker's Compensation Act, approved March 4, 1927, P.L. 69-803, as amended in 1972 by P.L. 92-576, as amended September 28, 1984 by P.L. 98-426	9,629,000	10,065,000
Federal Coal Mine Health and Safety Act of 1969, (now called Federal Mine Safety and Health Act of 1977), Title IV Black Lung Benefits Act, approved December 30, 1969 P.L. 91-173, as amended	24,284,000	25,826,000

ESA-13

APPROPRIATION HISTORY

	Budget Estimates to Congress	House Allowance	Senate Allowance	Appropriation
1977* ...	101,430,000	99,252,000	99,252,000	99,252,000
1978* ...	120,172,000	119,897,000	119,897,000	128,897,000
1979* ...	135,064,000	128,995,000	128,995,000	128,995,000
1980* ...	170,467,000	169,157,000	169,157,000	169,157,000
1981* ...	176,676,000	171,421,000	171,421,000	171,421,000
1982* ...	162,295,000	174,849,000	164,785,000	158,563,000
1983* ...	169,643,000	169,643,000	169,643,000	169,643,000
1984* ...	185,835,000	185,677,000	185,835,000	185,677,000
1985* ...	192,379,000	192,979,000	192,379,000	192,979,000
1986* 1/	184,387,000	191,524,000	190,724,000	190,724,000
Sequestered under P.L. 99-177				-8,195,000
1987* ...	193,150,000			

* Includes reimbursement from the Special Fund established by the Longshore and Harbor Workers' Compensation Act: $225,000 in Fiscal Year 1976, $56,000 in the Transition Quarter, $260,000 in Fiscal Year 1977, $265,000 in Fiscal Year 1978, $333,000 in Fiscal Year 1979, $352,000 in Fiscal Year 1980, $364,000 in Fiscal Year 1981, $360,000 in Fiscal Year 1982, $374,000 in Fiscal Year 1983, $380,000 in Fiscal Year 1984, $397,000 in Fiscal Year 1985, $406,000 in Fiscal Year 1986, and $441,000 in Fiscal Year 1987.

1/ Does not include reductions pursuant to P.L. 99-177.

ESA-14

EMPLOYMENT STANDARDS ADMINISTRATION

SALARIES AND EXPENSES

JUSTIFICATION

Activity	1985 Comparable 1/ FTE	1985 Comparable 1/ Amount	1986 Appropriation FTE	1986 Appropriation Amount	1986 Estimate 1/ FTE	1986 Estimate 1/ Amount	1987 Estimate FTE	1987 Estimate Amount	Increase or Decrease FTE	Increase or Decrease Amount
Enforcement of Wage Hour Standards	1,476	$73,498,000	1,446	$73,565,000	1,428	$70,090,000	1,427	$76,058,000	-1	+$5,968,000
Federal Contractor EEO Standards Enforcement	958	46,361,000	935	45,639,000	900	43,393,000	910	45,935,000	+10	+2,542,000
Federal Programs for Workers' Compensation	1,481	83,076,000	1,466	83,936,000	1,374	80,024,000	1,429	83,168,000	+55	+3,144,000
Executive Direction and Support Services	221	13,723,000	217	13,065,000	212	12,326,000	211	13,815,000	-2	+1,489,000
Total Budget Authority	4,136	$216,658,000	4,064	$216,205,000	3,915	$205,833,000	3,977	$218,976,000	+62	+$13,143,000

1/ Included in 1985 and 1986 Estimate above:
Sequestered under P.L. 99-177 ..... -$9,291,000 and -130 FTE in 1986.
Withdrawal pursuant to P.L. 99-190 ..... -$131,000 in 1986.
Comparative transfer to Departmental Management -$900,000 and -12 FTE in 1985 and -$950,000 and -12 FTE in 1986.

General Statement

This appropriation provides for salaries and expenses for the administration and enforcement of a variety of statutes prescribing certain standards and conditions of employment which must be met by covered employers. These standards are concerned with minimum wages and hours worked; nondiscrimination by Federal contractors; and workers' compensation for selected groups of workers who are injured or contract job-related diseases, or the survivors of employees in cases of death from job-related injuries or diseases. The purposes of these programs are to protect wages and working conditions, assure that workers are hired, promoted, and compensated on a nondiscriminatory basis, and that covered workers injured on the job receive prompt and efficient service in the adjudication of claims for benefits under workers' compensation laws.

In FY 1987, the Employment Standards Administration (ESA) will continue to place priority on the improvement of delivery of efficient and effective services to the public. At the same time, ESA will implement measures that will reduce or contain overall ESA expenses. An increase of 62 FTEs is being requested to allow the agency to provide increased program outputs over the 1986 levels. Program

staffing and budget increases are directly related to critically needed service delivery and quality assurance measures including continued development and implementation of comprehensive ADP systems underway throughout the agency. The proposed decreases will be handled through attrition. Strong emphasis will be given to obtaining the necessary Administration and Congressional approval to tighten up operations and close offices which do not contribute materially to the efficient accomplishment of the mission of ESA.

As a result of its management improvement initiatives, ESA has not only improved its productivity, it has also improved the quality of its services. In conjunction with the President's productivity goals, ESA will devote major attention to productivity improvement. These efforts will include studies for potential contracting out under the guidelines in OMB Circular A-76, as well as other types of reviews and workload analyses to achieve better organizational and individual productivity. ESA's commitment to ADP program development and the long-term implementation of an agency-wide ADP support system remains the keystone of quality control efforts. A common ADP system will provide managers and staff with the capacity to track cases and claims, with management information on caseloads, and with daily operational support to the employee benefit claims programs.

ESA will continue implementation of its approved five-year ADP plan to restructure and substantially increase support to the worker's compensation programs. In concert with this activity, the workers' compensation programs will continue implementation of plans for improved quality and cost effectiveness, with particular emphasis on the development of financial and other administrative control systems capable of improving the accuracy of claims processing and reducing vulnerability to fraud, waste, and mismanagement. In the Federal Employees' Compensation program, management initiatives have contributed to processing cases and making benefit payments within established standards. The FECA Level II system, a wholly integrated and comprehensive approach to the entire FECA claims adjudication and payment process, is currently scheduled to be pilot-tested in late FY 1986 and be implemented in early FY 1987. In the Longshore and Harbor Workers' Compensation Program, emphasis will continue to be placed on improving claims processing and adjudication services. The Black Lung program is continuing to emphasize maintenance and fiscal control of a relatively stable - though very large - beneficiary roll, as well as maintaining timeliness of initial adjudication, supporting the reduction of appeals backlogs, and improving debt collection through more informal conferences.

For the enforcement programs, Enforcement of Wage and Hour Standards and Federal Contractor EEO Standards Enforcement, emphasis will be placed on increasing overall productivity and regulatory relief projects aimed at reducing burdens on the public, and focusing resources on the most critical enforcement issues. Continued emphasis will be placed on fostering voluntary compliance, reducing complaint inventories, and implementing ADP systems designed to provide essential program data both in the National Office and in the field. In the Wage and Hour program, work will continue on the implementation of Phase III of the Management Information System, including development of a regional wage survey processing system for the government contracts program. An ADP system will also be developed to facilitate management reporting, case flow analysis, and staff resource management in the Federal Contractor Compliance program.

In the Executive Direction and Support Services area, a variety of management initiatives are either underway or planned to make significant improvements in the agency's administrative processes and management controls. Several internal control mechanisms have been instituted regarding financial management of cash resources to provide better security, reduce operational costs, and lower vulnerability to fraud and waste. The agency is continuing to improve the management of its automated data processing (ADP) systems. This comprehensive approach to planning and application of ADP support is yielding improvement in the

quality of work products, as well as increased individual productivity, and better overall resource management.

The Federal/State liaison program will be continued and will identify the degree of overlap and duplication in Federal and State laws in addition to coordinating Federal/State activities. Space reduction efforts will continue, through office by office analyses, to assure achievement of the established GSA goal for reduced space utilization.

ENFORCEMENT OF WAGE AND HOUR STANDARDS

1985 Comparable		1986 Appropriation		1986 Estimate		1987 Estimate		Increase or Decrease	
FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
1,476	$73,498,000 1/	1,446	$73,565,000	1,428	$70,090,000 1/	1,427	$76,058,000	-1	+$5,968,000

1/ Included in 1985 and 1986 Estimates above:
Sequestered under P.L. 99-177 ..... -$3,161,000 and -43 FTE in 1986.
Withdrawal pursuant to P.L. 99-190 ..... -$56,000 in 1986.
Comparative transfer to
Departmental Management ..... -$246,000 and -5 FTE in 1985 and +$260,000 and -5 FTE in 1986.

Introduction

The Wage and Hour Division is responsible for the administration and enforcement of a wide range of laws which establish standards for wages and working conditions which cover virtually all private employment. The Supreme Court decision of February 19, 1985 in Garcia v. San Antonio Metropolitan Transit Authority, et al. (Garcia), 105 S. CT 1005, also extended Fair Labor Standards Act (FLSA) coverage to most employees of State and local governments. The FLSA Amendments of 1985 add special provisions concerning volunteers, compensatory time off and various other employment practices for State and local government employers effective April 15, 1986. As an organization, the Division is comprised of a single nationwide staff of compliance officers, supervisors and clerical employees responsible for carrying out all of the activities associated with the Fair Labor Standards Act, the government contracts labor standards statutes, and the Migrant and Seasonal Agricultural Worker Protection Act. By utilizing a single field staff for enforcement and administration of all three labor standards statutes, the most effective use is made of available resources and the need for multiple investigations of the same establishments under these various laws is eliminated.

The Fair Labor Standards Act provides minimum wage, overtime, child labor and special minimum wage standards. The Davis-Bacon and Related Acts (DBRA), the Walsh-Healey Public Contracts Act (PCA), the Service Contract Act (SCA), and the Contract Work Hours and Safety Standards Act (CWHSSA) provide special labor standards such as prevailing wage, fringe benefit and overtime standards for workers employed on Federally-funded and/or Federally-assisted contracts for construction, goods and services. The government contract acts provide debarment sanctions for the violation of these standards. The Migrant and Seasonal Agricultural Worker Protection Act (MSPA) provides for the registration of farm labor contractors, the proper maintenance and insurance for vehicles used to transport workers, the maintenance of safe and healthful facilities to house workers, prior disclosure of specific employment conditions and agreements to workers, and imposes certain employer sanctions for the employment of illegal aliens as migrant and seasonal agricultural workers.

The major objective of this program is to achieve compliance by employers with the wage and labor standards statutes by promoting voluntary compliance, and through direct enforcement activities. In addition, a directed investigation program under the Special Targeted Enforcement Program (STEP) is aimed at areas and industries suspected of employing illegal aliens at less than legal wages. Directed investigations are also used in the areas of industrial homework, sheltered workshop employment, agricultural employment, and in the enforcement of the child labor provisions. Civil money penalties are assessed and collected in the child labor and MSPA programs. Under the DBRA and SCA, the Wage and Hour Division develops and issues prevailing wage rate determinations to contracting

agencies for inclusion in contract documents and conducts on-site compliance actions to assure the payment of such prevailing wage rates.

1987 Budget Request

Resource levels requested are for $76,058,000 and 1,427 full-time equivalent (FTE) staff years. This reflects an increase of $5,968,000 in funding above FY 1986 revised levels. The additional funding will provide for increased wage and hour activities over the 1986 levels.

In the Fair Labor Standards Act program, priority will continue to be given to servicing complaints on a timely basis. An estimated 54,000 complaints will be resolved, some 3,000 more than in 1986. Approximately 69,000 compliance actions, including 15,800 STEP investigations, will be accomplished, an increase of 7 percent over 1986. The intent of all FLSA investigations is to ensure that the minimum wage, overtime, and child labor provisions of the Act are being met by employers. Employers who are not in compliance and are found to owe employee back wages are given the opportunity to pay the amounts owed voluntarily. The Department is also authorized to take legal action in cases that cannot be settled administratively.

In the government contract labor standards program, the DBRA and Service Contract Act investigations will be centered primarily on complaints. Approximately 4,300 investigations will be completed during the fiscal year, 120 more than 1986. A continuing program objective is the development of ADP subsystems to improve the management, processing and tracking of Davis-Bacon wage surveys and facilitate the preparation of accurate wage determinations on a more timely basis under both the Davis-Bacon and Service Contract Act programs.

Enforcement resources available for the Migrant and Seasonal Agricultural Worker Protection Act will continue to be focused on the worst violators of standards affecting the living and working conditions of agricultural workers. MSPA compliance actions will total 5,420, including 1,000 housing inspections. These enforcement activities will impact directly on approximately 134,000 workers.

The preliminary conceptual design of Phase III of the Wage-Hour Management Information System (WHMIS) will be completed in FY 1987. Phase III WHMIS activities include a regional wage survey processing system for the collection of wage data for the wage determination program, as well as the processing of survey data at the National Office to facilitate the preparation of wage determinations. Testing and implementation of the regional wage survey processing system will begin during the year. Further testing and implementation of this system will continue in FY 1988 and FY 1989.

Table 1

Enforcement of Wage and Hour Standards

Workload Statistics

	FY 1985 Actual	FY 1986 Estimate	FY 1987 Estimate
Fair Labor Standards Act			
Compliance Actions	66,943	64,700	69,000
Special Targeted Enforcement Program (STEP)	(17,287)	(15,300)	(15,800)
Complaints Received	57,314	57,000	57,000
Complaints Resolved	49,651	50,800	53,900
Complaints in Inventory	25,590	31,800	34,900
Amount of Underpayments (000)	$109,295	$110,000	$116,700
Employees Underpaid	396,526	411,900	436,900
Payments Agreed On (000)	$80,111	$80,200	$85,000
Employees to be Paid	346,511	350,900	372,300
Minors Illegally Employed	9,836	8,100	8,700
Child Labor Penalties Assessed (000)	$1,022	$860	$920
Government Contract Labor Standards			
Compliance Actions	4,423	4,100	4,350
Complaints Received	3,997	3,800	3,800
Complaints Resolved	3,273	3,300	3,500
Complaints in Inventory	2,430	2,900	3,300
Amount of Underpayments (000)	$29,912	$26,000	$27,600
Employees Underpaid	48,589	46,100	49,100
Payments Agreed On (000)	$21,888	$18,900	$20,100
Employees to be Paid	43,122	39,700	42,300
DBRA Wage Determinations Issued	15,497	15,500	15,500
Counties covered by DBRA Wage Surveys	1,871	2,300	2,300
DBRA Survey Contacts	N/A	100,000	100,000
SCA Wage Determinations Issued	5,078	5,500	5,500

ESA-20

	FY 1985 Actual	FY 1986 Estimate	FY 1987 Estimate
Migrant and Seasonal Agricultural Worker Protection Act			
Compliance Actions	5,406	5,270	5,420
Investigations	(4,269)	(4,300)	(4,420)
Housing Inspections	(1,137)	(970)	(1,000)
MSPA Civil Money Penalties Assessed (000)	$1,424	$1,360	$1,400
Migrant and Seasonal Agricultural Workers Protected Through Enforcement	136,403	130,300	134,000
Farm Labor Contractor/Employees Registered	11,417	12,000	12,000

1986

The revised level of resources is $70,090,000 and 1,428 FTEs. The decrease in funding and resources reflects a reduction of $3,161,000 and 13 FTEs required by the Balanced Budget and Emergency Deficit Control Act of 1985 (Public Law 99-177). In addition, $54,000 is being withheld from obligations pursuant to Section 515 of the Treasury, Postal Service, and General Government Appropriations Act, as referenced in the Full-year Continuing Resolution for 1986 (Public Law 99-190).

Enforcement accomplishments in FY 1986 are expected, in most instances, to fall below those of FY 1985. Approximately 74,000 compliance actions will be conducted under FLSA, Government Contracts, and MSPA. Under FLSA and Government Contracts, approximately $136,000,000 in underpayments will be found due some 458,000 workers. Employers are expected to agree to pay back wages of $99,100,000 to 390,600 workers. Complaint inflow is expected to approximate FY 1985 levels. An estimated 15,300 compliance actions will be conducted under the STEP program.

In FY 1986, the implementation of the Phase II WHMIS design activities will be completed. MSPA registration, SCA wage determination tracking and recording, and Special Minimum Wage certification activities will be fully automated and operational by the middle of FY 1986. Conceptual design will begin for Phase III WHMIS activities, including regional wage survey processing, back wage collection and disbursement, and National Office preparation of Government Contract wage determinations.

1985

Results in FY 1985 exceeded those achieved in FY 1984. Compliance actions conducted under FLSA and Government Contracts statutes increased 4.5 percent over FY 1984 levels. These actions disclosed $139,207,000 in underpayments affecting 445,115 workers. Employers agreed to pay $101,999,000 to 389,633 workers. The resolution of complaints alleging violations of labor standards exceeded prior year results. Almost 10,000 minors were found to be illegally employed. Approximately 5,400 compliance actions were conducted under MSPA, affording protections in the areas of wages and working conditions to 136,403 migrant and seasonal farm workers.

An expansion of the Wage Hour Management Information System (WHMIS) was initiated to include additional administrative activities which had been previously handled on a manual basis. These new areas of ADP application are the registration of farm labor contractors under MSPA, the issuance of

certificates to employers authorizing special minimum wage rates under Section 14 of the FLSA, and the tracking and monitoring of requests for SCA wage determinations under the Government Contracts programs. These subsystems will be completely installed and fully operational in FY 1986.

Changes for 1987

Activity Changes

Built-in:

Personnel costs including net cost of personnel compensation and benefits	+$1,490,000
Nonpersonnel costs including increased costs of permanent change of station; travel; space rental; communications, utilities, and other rent; printing; working capital fund; ADP contracts; other services; and equipment; offset by decreased costs of other contracts; and supplies	+$1,826,000
Subtotal	+$3,316,000
Net program	+$2,652,000
FTE	-1

Enforcement of Wage and Hour Standards

Proposal: To increase staff by 10 FTEs and funding by $451,000 to implement the Supreme Court decision in the Garcia case, extending FLSA coverage to most employees of State and local governments.

Rationale: The proposed increase in staff and funding, related to the Garcia decision, is necessary to respond to investigation workloads associated with the extended FLSA coverage and to requests for technical assistance.

Program Effects: The proposed increases will result in improved program performance and allow the Wage and Hour Division to provide a level of service that will adequately protect the interests of the American worker while at the same time assuring that public employers receive the types of services and technical assistance they require.

Base:

FTE: 1,428 Estimate: $73,406,000

Program Increases:

FTE: +10 Estimate: +451,000

ESA-22

Enforcement of Wage and Hour Standards

Proposal: To provide an increase in wage and hour compliance activities in order to increase the number of complaints resolved in 1987 over the 1986 levels.

Rationale: This proposed increase in staff and funding is needed in order to increase the number of complaints resolved. Additionally, space rental increases are primarily associated with rate increases for privately owned space. Also included is the restoration of funds for contract services which were reduced under P.L. 99-190.

Program Effects: The proposed increases will result in improved program performance and allow the Wage and Hour Division to provide a level of service that will adequately protect the interests of the American worker while at the same time assuring that employers receive the types of services and technical assistance they require. Compliance actions will increase by 1,200.

Base:

FTE: 1,428 Estimate: $73,406,000

Program Increases:

FTE: +13 Estimate: +2,701,000

Enforcement of Wage and Hour Standards

Proposal: To reduce FTEs in the Wage and Hour Division by 24 and funding by $500,000 under the Administration's productivity initiative.

Rationale: The reductions reflect savings to be achieved through actions taken to increase productivity without reducing the quality of services.

Program Effects: There will be no adverse effects on program operations or outputs. Where appropriate, the reductions will be achieved through the reassignment of personnal to meet critical workload demands. Reductions will be accomplished through attrition.

Base:

FTEs: 1,428 Estimate: $73,406,000

Program decrease:

Positions: -24 Estimate: -$500,000

FEDERAL CONTRACT COMPLIANCE ENFORCEMENT

1985 Comparable		1986 Appropriation		1986 Estimate		1987 Estimate		Increase or Decrease	
FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
958	$46,361,000 1/	935	$45,639,000	900	$43,393,000 1/	910	$45,935,000	+10	$2,542,000

1/ Included in 1985 and 1986 Estimates above:
Sequestered under P.L. 99-177 ..... -$1,962,000 and -29 FTE in 1986.
Comparative transfer to
Departmental Management ..... -$269,000 and -6 FTE in 1985 and -$284,000 and -6 FTE in 1986.

Introduction

The Office of Federal Contract Compliance Programs (OFCCP) administers Executive Order 11246, as amended, the affirmative action provisions of the Rehabilitation Act of 1973, as amended, and similar provisions of 38 U.S.C. 2012, the Vietnam Era Veterans Readjustment Assistance Act of 1974. These efforts are an integral part of the Federal procurement process. The Executive Order requires that Federal contractors not discriminate because of race, color, religion, sex, or national origin and that they take affirmative action to assure equal opportunity in employment. Under Section 503 of the Rehabilitation Act and 38 U.S.C. 2012, there is similar coverage for handicapped persons, disabled veterans, and Vietnam era veterans. The basic enforcement tools continue to be the compliance review of contractor establishments and complaint investigations. When a finding of non-compliance is made based upon review or investigation of contractor practices, and if conciliation efforts with the contractor fail, appropriate corrective actions are taken.

To fulfill its mission of assuring equal opportunity by Federal contractors and increasing job opportunities for program beneficiaries, the OFCCP has established the following principal objectives:

- Maintain current servicing level in resolving individual and group complaints;
- Seek out and eliminate discriminatory employment practices of covered employers, using objective selection procedures;
- Coordinate programs, both inside and outside the Department, linking recruiting and training sources with specific job opportunities;
- Improve communication with and outreach to protected groups and encourage voluntary compliance and affirmative action through a broad network of public contacts and technical assistance;
- Issue and implement regulations which are concise and easily understood;
- Reduce recordkeeping and eliminate unnecessary paperwork burdens placed on contractors and the Federal government;
- Update existing systems and implement new computerized systems to enhance efficiency;
- Effectively use program resources and increase skill levels and productivity of compliance officers;

- Establish and maintain program objectives, standards and procedures which focus upon achievement of results by tracking results through management information systems and doing periodic impact analyses;

- Strengthen quality control through increased accountability reviews and revised quality assurance and audit procedures.

1987 Budget Request

The resources requested for this program amount to $45,935,000 and 910 full-time equivalent (FTE) staff years. This level reflects an increase in funding of $2,542,000 and 10 FTEs over FY 1986 revised levels. Through conversion of overhead and support positions and continued emphasis on productivity improvement initiatives, the program will increase its direct enforcement staffing. As a result, 5,225 compliance reviews will be completed, a six percent increase over the FY 1986 level. Until the revised regulations are promulgated, desk audit-only reviews will no longer be included in compliance review projections. Since desk audits compare to full compliance reviews in a ratio of approximately two and one-half to one, compliance review totals decrease.

Complaint investigations and resolutions will increase by four percent to 995 actions. This will allow the program to eliminate the inventory created in FY 1986 and return to servicing complaints at normal pipeline levels.

The number of actions monitoring conciliation agreements will increase to 3,600. Additional improvements will be made in the areas of ADP and word processing. An ADP mainframe data base management system will be developed to facilitate management reporting, analysis of case flow and staff resource management. Word processing equipment will also be phased in at the area and regional levels to replace antiquated equipment that is quickly becoming unrepairable. An increase in support staff productivity will clearly result through the use of word processing equipment.

Table 1

Federal Contractor EEO Standards Enforcement

Workload Statistics

	FY 1985 Actual	FY 1986 Estimate	FY 1987 Estimate
TOTAL COMPLIANCE REVIEWS	5,217	4,945	5,225
TOTAL COMPLAINTS INVESTIGATED/RESOLVED	1,003	960	995
E.O. 11246	(122)	(170)	(190)
Section 503	(721)	(658)	(650)
Section 2012	(160)	(132)	(155)
TOTAL COMPLAINT CASE INVENTORY	664	720	550
E.O. 11246	(102)	(230)	(200)
Section 503	(499)	(417)	(300)
Section 2012	(63)	(73)	(50)
TOTAL OTHER COMPLIANCE ACTIONS	6,119	4,600	5,490
Actions monitoring letters of commitment/ conciliation agreements	(3,401)	(2,415)	(3,600)
Actions monitoring consent decrees	(1,017)	(1,200)	(850)
Liaison groups established	(22)	(15)	(15)
Linkage agreements (Recruitment/Referral)	(1,679)	(970)	(1,025)

1986

The level of resources is $43,393,000 and 900 FTEs. This level reflects a reduction of $1,962,000 and 29 FTEs required by the Balanced Budget and Emergency Deficit Control Act of 1985 (Public Law 99-177). Compliance reviews will decrease by five percent from FY 1985 to a projection of 4,945. Until revised regulations are promulgated, desk audit-only reviews will no longer be included in compliance review projections. Since desk audits compare to full compliance reviews in a ratio of approximately two and one-half to one, compliance review totals decrease. The new staffing level will also have a direct enforcement impact on complaint investigations. A total of 960 complaints will be investigated/resolved representing a four percent decrease from FY 1985. Projected complaint investigations will result in an inventory of 720 complaint cases, 170 complaint cases above the normal area office current servicing inventory of 550.

Special attention will be given to the continued formulation of liaison groups which have contributed to the improvement of the affirmative action process. New automated data processing management system development will not be implemented and other operating programs may be partially curtailed. Additionally, staff training and implementation of other management improvement initiatives will be affected by the FY 1986 reductions.

ESA-26

1985

There were 5,217 compliance reviews completed and 1,003 complaints were investigated and resolved. The complaint inventory was stabilized with inventories in all programs at manageable levels. The number of linkage agreements for recruitment and referral increased eight percent to 1,679 such compliance support actions. A total of $7,585,157 in financial agreements were obtained, including back wage agreements of $1,884,238 to almost 300 workers. The number of workers in facilities reviewed totaled 2,978,000.

A number of management initiatives were put into effect resulting in increased program outputs, improved quality and greater program effectiveness. Computer screening of contractors is now being used to identify those contractors whose workforce participation rates for women and/or minorities fall below average for similarly situated contractors. There was continued encouragement of contractor's voluntary and self-directed efforts toward affirmative action with recognition of meritorious contractors and the bringing about of the formulation, since starting the effort in FY 1982, of 250 liaison groups by the end of the fiscal year.

Changes for 1987

Activity Changes

Built-in:

Personnel costs including net cost of personnel compensation and benefits	+$553,000
Nonpersonnel costs including increased costs of permanent change of station; travel; space rental; communications, utilities, and other rent; ADP contracts; other contracts; supplies; and equipment; offset by decreased cost of working capital fund	+$104,000
Subtotal	+$657,000
Net program	+$1,885,000
FTE	+10

Federal Contractor EEO Standards Enforcement

Proposal: To provide a six percent increase over the 1986 level in Federal Contractor EEO Standards Enforcement compliance review activities.

Rationale: The proposed increase in staff and related funding will provide the Office of Federal Contract Compliance Programs an increased level of compliance reviews, elimination of complaint inventories, and the service of complaints on a timely basis. Additional funding is also needed to meet increased costs primarily associated with privately owned space.

Program Effects: The proposed increases will result in improved program performance and provide a level of service that will increase the protection of workers from employment discrimination while providing employers with sufficient technical assistance to enable them to eliminate discriminatory employment practices and to increase equal employment opportunities. Compliance reviews will increase by 280.

Base:
FTE: 900 Estimate: $44,050,000

Program Increase:
FTE: +29 Estimate: +$2,445,000

Federal Contractor EEO Standards Enforcement

Proposal: To reduce FTEs in the Office of Federal Contract Compliance Programs by 19 and funding by $560,000 under the Administration's productivity improvement initiative.

Rationale: The reductions reflect savings to be achieved through actions taken to increase productivity without reducing the quality of services.

Program Effects: There will be no adverse effects on program operations or outputs. Where appropriate, the reductions will be achieved through the reassignment of personnel to meet critical workload demands. Reductions will be accomplished through attrition.

Base:
FTE: 900 Estimate: $44,050,000

Program Decease:
FTE: -19 Estimate: -$560,000

ESA-28

FEDERAL PROGRAMS FOR WORKERS' COMPENSATION

1985 Comparable		1986 Appropriation		1986 Estimate		1987 Estimate		Increase or Decrease	
FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
1,481	$83,076,000 1/	1,466	$83,936,000	1,374	$80,024,000 1/	1,429	$83,168,000	+55	+$3,144,000

1/ Included in 1985 and 1986 Estimates above:

Sequestered under P.L. 99-177	-$3,608,000 and -87 FTE in 1986.
Withdrawal pursuant to P.L. 99-190	-$52,000 in 1986.
Comparative transfer to Departmental Management	-$239,000 and -5 FTE in 1985 and -$252,000 and -5 FTE in 1986.

Introduction

This activity provides for the management and administration of three workers' compensation programs: the Federal Employees' Compensation Act (FECA), the Longshore and Harbor Workers' Compensation Act (LHWCA); and the Federal Mine Safety and Health Act (Black Lung Benefits Act). These programs provide income replacement benefits to eligible claimants who are disabled from injuries or occupational diseases suffered as a result of their employment, or to their survivors in case of death from job-related injuries or disease. The programs also provide medical treatment, rehabilitation, and other benefits to injured workers.

The major objective of this activity is to ensure that the interests of eligible claimants, employers, and the Federal Government are properly protected throughout all stages of processing and adjudicating claims for compensation, medical, and other benefits provided by the Acts. Improvement in service to claimants, as well as controlling costs and vulnerability to fraud, waste, and mismanagement are top priorities. Close monitoring of staff operations to ensure adherence to policies and procedures is emphasized. Standards for the development and adjudication of claims and effective case management will be enforced to assure that claims are processed in a timely manner and in accordance with the requirements of law and regulations. The investigation of questionable claims through the use of Wage and Hour and OFCCP compliance officers will continue.

Improvements continue to be made in processing FECA cases and in issuing benefit payments within acceptable timeframes. The program's primary improvement effort will be focused on the Level II ADP system which is scheduled for implementation and operation in FY 1987. The medical fee schedule proposal will be finalized in FY 1986. This schedule will result in greater assurance that the medical bills paid by the program are for appropriate amounts. Efforts will continue to complete the modification and updating of the FECA regulations.

In the Longshore and Harbor Workers' Compensation Program, emphasis will continue to be on implementing the amendments to the Longshore legislation enacted on September 28, 1984, as well as on improving claims processing and adjudication services, and on a comprehensive technical assistance program for employers, insurance carriers, and covered employees. An ADP system which will integrate case management, fiscal, and insurance functions has been developed with nationwide implementation scheduled for FY 1986. This system will result in more timely case reviews and responses to inquiries, as well as a more efficient workflow throughout field offices. The Black Lung program is continuing to shift emphasis in operations from initial adjudication of claims to maintenance and fiscal control of a relatively stable workload. Emphasis will continue on close oversight of medical costs and in assuring the continued eligibility of claimants

to benefits, supporting the reduction of appeals backlogs, and improving debt collection through more informal conferences.

ESA also administers that part of the District of Columbia Compensation Act which covers private employment in the District of Columbia prior to July 26, 1982. OWCP workload for this segment of the program has declined and staffing levels have been reduced accordingly. A small nucleus of employees continues to process the pre-July 26, 1982 claims and associated actions.

A. Federal Employees' Compensation Act

1987 Budget Request

Resource levels requested are for $51,634,000 and 913 full-time equivalent (FTE) staff years. The Level II Federal Employees' Compensation System, which will encompass automated functions, manual procedures, and organizational structures in each district office and at the FECA National Office, is now scheduled to be implemented during FY 1987. The implementation of this system, which will affect many aspects of the FECA operation, will be a major focus of activities throughout FY 1987.

Improvements will continue to be made in the timely and accurate adjudication of claims and the issuance of benefit payments in a timely fashion. Special attention will be given to expanded rehabilitation and reemployment of claimants, and debt collection activities to recover overpayments made to claimants and medical providers. The program will also continue to investigate questionable claims, utilizing Wage and Hour and OFCCP compliance officers.

The reduction in the number of cases closed results from two factors: lost staff time caused by the transition to full implementation of the Level II ADP system which will entail training, the learning curve, and downtime in each of the district offices, and to a lesser degree, the fact that fewer long-dormant cases are being carried inappropriately in the data system under the active category. This file "clean out" has been in progress for the past two years and reflects closer adherence to procedural requirements for determining when cases should be considered closed.

"Unreviewed/unadjudicated case inventory" is being incorporated as a program workload measure for the FY 1987 budget, replacing the "pending case inventory" measure used in past years. The unreviewed/unadjudicated case inventory is a measure of cases awaiting adjudication and is a relevant measure of program performance in adjudicating cases. The pending case inventory is a measure of cases out of file pending some type of district office action, and does not directly correspond to case adjudication processing performance. Its use conveys a special operational view of work to be done; however it is often misinterpreted as the number of cases awaiting adjudication, a number which is much smaller.

ESA-30

Table 1

Federal Employees' Compensation Act

Workload Statistics

Workload	FY 1985 Actual	FY 1986 Estimate	FY 1987 Estimate
Cases Received 1/	166,362	166,000	166,000
COP Cases	68,458	68,000	68,000
Wage Loss Claims 2/	21,652	21,200	21,200
Periodic Roll Cases	47,905	47,800	47,800
Cases Closed	233,653	184,000	175,000
Periodic Roll Reviews			
Number	46,868	41,000	46,000
Savings (000)	$14,769	$18,000	$21,500
Compensation & Medical Payments	1,483,844	1,400,000	1,400,000
Pending Case Inventory 3/	49,886	70,800	49,300
Unreviewed/Unadjudicated Case Inventory 4/	14,084	17,000	14,000

1/ Formerly injuries reported.
2/ Formerly claims received.
3/ Cases out of file pending some type of action.
4/ Case awaiting adjudication (New workload measure being incorporated to replace "pending case inventory").

1986

The level of resources is $49,819,000 and 841 FTEs. The decrease in funding reflects the reduction of $2,242,000 and 71 FTEs required by the Balanced Budget and Emergency Deficit Control Act of 1985 (Public Law 99-177). In addition, $52,000 is withheld from obligations pursuant to Section 515 of the Treasury, Postal Service, and General Government Appropriations Act, as referenced in the Full-year Continuing Resolution for 1986 (Public Law 99-190). Program emphasis will be concentrated on improving claims maintenance, fiscal, and quality control activities. Rehabilitation and reemployment of claimants, and debt collection of overpayments activities will be continued. The medical fee schedule is expected to be implemented in the first half of FY 1986. The purpose of the fee schedule is to control medical costs by establishing maximum rates payable for specific medical services.

Previous projections for FY 1986 workload have been revised to reflect the Balanced Budget and Emergency Deficit Control Act. Incoming workloads in FY 1986 are expected to remain stable and not vary significantly from FY 1985 levels. The number of cases closed will decline as offices reduce their total open case inventory (limits on the volume of open cases were adopted in FY 1985 as part of the Operational Plan for FECA). Eventually, cases closed should more nearly approximate the number of cases received.

1985

The number of cases received and wage loss claims received in FY 1985 were approximately the same as the FY 1984 levels. The number of continuation-of-pay (COP) cases showed a slight decrease below the previous year. FY 1985 output measures showed improvements over the previous fiscal year. Processing of traumatic cases and medical bill payments met or exceeded the program performance

standards for timeliness in FY 1985. The program continued its concerted effort to adjudicate all the older primarily non-traumatic cases (created prior to July 1984) and improve its processing performance.

Accomplishments in FY 1985 also included the development and implementation of new procedures for the timely payment of compensation. Guidelines have been provided for the prompt submission of claims and for expedient processing by FECA district offices. New letters and automated tracking programs were developed to facilitate the processing of claims and monitoring of disability cases in FY 1985.

B. The Longshore and Harbor Workers' Compensation Act

1987 Budget Request

Resource levels requested are for $6,912,000 and 144 FTEs (including ten rehabilitation FTEs from the Trust Fund). This represents a reduction of two FTEs from the 1986 level. The resource reduction coupled with workload increases associated with a slight increase in the number of lost-time injuries reported, and certain provisions of the 1984 Longshore Amendments, have increased claims examiners caseloads since FY 1984.

FY 1987 will be the first full year that the automated case management system, installed in FY 1986, will be operational in all district offices. This is expected to improve productivity, especially in the clerical workload areas and somewhat moderate the adverse impact of the staff reductions.

Table 2

Longshore and Harbor Workers' Compensation Act
Workload Statistics

Workload	FY 1985 Actual	FY 1986 Estimate	FY 1987 Estimate
Injuries Reported 1/	129,680	N/A	N/A
Lost-time injuries	40,691	43,000	43,000
Lost-time cases closed	43,867	40,700	40,700
Informal conferences	6,322	6,600	6,600
Cases being compensated	16,508	16,100	16,100

1/ The 1984 Amendments to the Longshore Act eliminated the requirement on employers to report no-lost-time injuries; therefore, such information is not applicable for the 1986 and 1987 columns.

1986

The level of resources is $6,756,000 and 146 FTEs (including nine rehabilitation FTEs from the Trust Fund). The decrease in funding reflects the reduction of $307,000 and four FTEs required by Public Law 99-177. Lost-time injuries, which had been declining, increased by 3,000 in FY 1985, and it is estimated will increase approximately five percent in FY 1986. As a result, the number of informal conferences conducted will also increase (approximately

four percent). Previous projections for FY 1986 workload items have been revised to reflect Public Law 99-177.

1985

In FY 1985, 43,867 lost-time cases were closed and 6,322 informal conferences were held. Approximately 900 new rehabilitation cases were opened and 290 workers were rehabilitated. Efforts of the technical assistance outreach program have, in FY 1985, resulted in compensation payments being paid promptly to claimants by carriers and self-insured employers and an increase in the timely filing of required reports by carriers, self-insurers, and medical providers.

In FY 1985, program efforts were concentrated on the implementation of the 1984 Longshore Act Amendments. Interim final regulations were prepared and published and procedural guidelines were developed for the program's district office staff. Final regulations are to be published in early 1986.

Also, the final stages of development of an automated Case Management System for the Longshore Program were completed. The system is comprised of three major subsystems: (1) The Longshore Case Control Subsystem, which will provide case tracking and transaction recordkeeping on all lost-time and death claims received by the Longshore District Offices. It will also furnish the claims processing staff with a means of reviewing each claim as it proceeds through the administrative review and adjudicative process; (2) The Longshore Management Information Subsystem will provide workload and management statistical information pertinent to the overall operation of the Longshore Program, individual district office effort, and claims examiner effort; and (3) The Longshore Correspondence/Word Processing Subsystem will generate automatic correspondence to be sent to various parties involved in a specific case. The system is scheduled to be operational in district offices by approximately mid-FY 1986.

C. Black Lung Benefits Act

1987 Budget Request

Resources requested are 372 full-time equivalent (FTE) staff years and $24,622,000 in FY 1987 for the Black Lung program. The staffing level is required to continue the management initiatives begun in the previous fiscal years, to maintain the quality of claims processing and deal with the virtually stable case maintenance workloads, to increase file security, and to realize cost savings through the prevention of fraud, waste, and abuse.

The reduction in FTEs from 387 to 372 will be accomplished by eliminating 15 clerical positions in the regions and the National Office. This reduction will not affect productivity or performance because of productivity gains arising from automation that the program will undertake prior to FY 1987. A primary initiative that Black Lung management will undertake to improve productivity will be to transfer the 13 FTEs currently allotted to the field stations to the district offices and close the field stations. The work performed by field station staff does not significantly contribute to program productivity since they do not have responsibility for claims adjudication or maintenance. Their primary function has been to assist claimants, unions, and employers in problems related to filing claims, completing forms, and questions concerning program requirements and procedures. With the reduction in incoming claims over the past few years, this function can easily be assimilated by the district offices. The 13 FTEs will be more effectively used in claims adjudication and maintenance tasks within the district offices. The transfer of 13 FTEs to the district offices will offset the loss of 15 clericals in the program with no effect on the program. It will result in the program using its resources more efficiently and achieving the same output and performance goals with fewer personnel.

The basic objectives will continue to be the timely and accurate determination of eligibility, the prompt delivery of benefits and services to beneficiaries, and the resolution of disputed cases through informal conferences to reduce the number of cases reaching the Administrative Law Judge level. A principal goal is to improve the maintenance and fiscal control of the large and relatively stable caseload. Refining and implementing the fiscal and quality controls, integral to this emphasis, will also be among the program's primary goals.

In carrying out these responsibilities, the program will pursue a number of initiatives whose initial stages are labor intensive, but which will establish an efficient, steady-state operation. These include expanding operational use of the automated data processing (ADP) system, upgrading and expanding the debt collection program, and implementing closer monitoring of the medical care received by beneficiaries and better control of the related costs paid by the Trust Fund.

Table 3

Black Lung Benefits Act
Workload Statistics

Workload	FY 1985 Actual	FY 1986 Estimate	FY 1987 Estimate
Claims Received 1/	12,207	11,500	11,250
Initial Findings	11,164	8,880	8,500
Claims Inventory	5,195	4,883	3,976
Beneficiary Status Reviews 2/	83,013	84,175	90,000
Periodic Case Reviews 3/	8,837	8,750	17,600
ALJ Hearing Referrals	8,045	4,125	5,000
BRB Referrals	2,293	2,145	2,600
Total Beneficiaries	164,390	156,491	148,121
(Monthly benefits)	(90,390)	(89,491)	(88,121)
(Medical benefits only)	(74,000)	(67,000)	(60,000)

1/ Includes new filings, refilings, and notification of death of beneficiary.
2/ Formerly reported as Payment Reviews.
3/ Actual case file reviews resulting from receipt of returned beneficiary status review forms (CM-929s).

1986

The level of resources is 387 FTEs and $23,449,000. The decrease in funding reflects the reduction of $1,059,000 and 12 FTEs required by Public Law 99-177. In FY 1986, incoming initial claims will continue to gradually decline. Due to the declining number of new claims being filed, the end-of-year inventory will also decrease. With the lower rate of claims decisions, there will be a commensurate decline in the secondary processing of adjudicated claims. This will be most noticeable in the areas of conferences and modification of awards of benefits. The number of periodic case reviews will also be reduced below the level initially planned because of the reduction in staffing. Improved claims processing and greater file security are expected as district offices continue to implement stricter guidelines applied to the review of claims documentation.

With the concerted effort to identify/prevent waste, fraud, and abuse, medical examinations will increase as eligible beneficiaries undergo an annual examination to determine continuing eligibility for certain types of treatment or medical equipment.

A contract was awarded on May 17, 1985, for the operation and further development of the Black Lung program's data systems covering benefit payments, medical payments, claims adjudication, fund accounting, debt management, and related management information. The services provided by the contract, which was effective at the beginning of FY 1986, will enhance the program's ability to monitor and analyze expenditures while improving timeliness and accuracy in various processing functions.

1985

The number of Black Lung incoming claims continued the declining trend in FY 1985. During FY 1985, the number of claims received was 18 percent below the FY 1984 level. Continued progress was shown in the output measures including initial findings, as well as the appeals workload with the preparation and referral of cases to the Office of Administrative Law Judges (OALJ) for hearings and cases to the Benefits Review Board (BRB) for appeals.

The miner beneficiaries entitled to medical benefits only, as well as the miner beneficiaries entitled to both monthly and medical benefits, are an aging population. Medical treatment related workloads and expenditures have remained high. In FY 1985, the Division of Coal Mine Workers' Compensation (DCMWC) processed approximately 435,000 medical bills and paid approximately $99 million for medical costs. In addition, applications for major medical treatment such as home oxygen equipment, home nursing care, and rehabilitation therapy required the processing and review of 11,755 Certificates of Medical Necessity (CMN).

Management initiatives, begun in FY 1984, in CM-929 review (beneficiary status update form), CMN review, diagnostic medical bill reviews, and file security were continued in FY 1985. Reviews of all CM-929s became a permanent part of district office operations.

Changes for 1987

Activity Changes:

Built-in:

Personnel costs including net cost of personnel compensation and benefits	+$1,348,000
Nonpersonnel costs including increased costs of travel; transportation of things; space rental; communications, utilities, and other rent; printing; and other services; offset by decreased costs of permanent change of station moves; Working Capital Fund; ADP contracts; supplies; and equipment	-$1,763,000
Subtotal	-$415,000
Net program	+$3,559,000
FTEs	+55

Federal Employees' Compensation Act

Proposal: To provide an increase in the accuracy and timeliness of claims processing activities.

Rationale: This proposed increase in staff and funding is needed to reduce claims inventories and to assure that payments are being properly made. These additional resources will also enable the program to continue improvements in the accuracy and integrity of the various facets of the FECA system. In addition, there are increased charges for space rental associated with rate increases for privately owned space occupied by the district offices. Also included is the restoration of funds, for contract services to provide court reporters for hearings, which were reduced under P.L. 99-190.

Program Effects: Productivity gains and improvements will be made in the timely and accurate adjudication of claims and the issuance of benefit payments in a timely manner and ensuring that claims are processed in accordance with legislative mandates with minimal vulnerability to fraud, waste, and abuse. Inventory levels will be reduced by 3,000 to 1985 levels while reviews of the periodic roll cases will increase by 5,000 to approximately 1985 levels. Savings resulting from these reviews will increase by $3,500,000. The proposed increases will result in a program that protects the interests of both the Government and eligible claimants.

Base:

FTE: 841 Estimate: $48,838,000

Program increase:

FTE: +72 Estimate: +$2,796,000

ESA-36

Longshore and Harbor Workers' Compensation Act

Proposal: To provide an increase in the accuracy and timeliness of claims processing activities.

Rationale: This proposed increase in staff and funding is needed in order to ensure that an effective level of income maintenance is provided to eligible workers through efficient administration of the Act and ensuring that claims are processed on a timely basis. There are increased rental costs associated with privately owned space occupied by the district offices.

Program effects: Productivity is expected to improve with the assistance of the case management system. Strong management improvement efforts will be applied once again to enable the program to meet performance standards for the timeliness and accuracy of claims processing and adjudication and monitoring of compensation payments. Rehabilitation activities will be increased to approximate 1985 levels.

Base:

FTE: 146 Estimate: $6,802,000

Program increase:

FTE: +4 Estimate: +$232,000

Longshore and Harbor Workers' Compensation Act

Proposal: To reduce FTEs in the Longshore and Harbor Workers' Compensation Program by six and funding by $122,000 under the Administration's productivity improvement initiative.

Rationale: The reductions reflect savings to be achieved through actions taken to increase productivity without reducing the quality of services to the public. These improvements can be realized through the efficiencies achieved with automation activities which were implemented in FY 1986.

Program Effects: There will be no adverse effects on program operations or outputs.

Base:

FTE: 146 Estimate: $6,802,000

Program decrease:

FTE: -6 Estimate: -$122,000

Black Lung Benefit Acts

Proposal: To provide an increase in the accuracy and timeliness of claims processing.

Rationale: This proposed increase in staff and funding is needed in order to increase the level of reviews and other administrative controls to improve the accuracy of claims processing and reduce vulnerability to fraud, waste, and abuse. The space rental increases are primarily associated with rate increases for privately owned space.

Program effects: The proposed increases will enable the program to continue implementation of plans for improved quality of claims processing and cost effectiveness, as evidenced by an increase of periodic case reviews by 8,850 and Administrative Law Judges and Benefits Review Board referrals by 875 and 455, respectively. Claims inventories will be reduced by over 900 from 1986 levels.

Base:

FTE: 387 Estimate: $23,969,000

Program increase:

FTE: +12 Estimate: $1,333,000

Black Lung Benefits Act

Proposal: To reduce FTEs in the Black Lung program by 27 and funding by $680,000 under the Administration's productivity improvement initiative.

Rationale: The reductions reflect savings to be achieved through actions taken to increase productivity without reducing the quality of services to the public. As the incoming workload in this program decreases, the need for staffing is reduced. Additionally, to the extent that staffing in field stations does not contribute to the productivity of this program, these reductions can further contribute to increased savings without adversely impacting productivity.

Program Effects: There will be no adverse effects on program operations or outputs. Reductions will be achieved through closing nonproductive field stations and shifting staff to productive positions while eliminating clerical positions in the regions and the National Office.

Base:

FTE: 387 Estimate: $23,969,000

Program decrease:

FTE: -27 Estimate: -$680,000

ESA-38

EXECUTIVE DIRECTION AND SUPPORT SERVICES

1985 Comparable		1986 Appropriation		1986 Estimate		1987 Estimate		Increase or Decrease	
FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
221	$13,723,000	217	$13,065,000	213	$12,326,000 1/	211	$13,815,000	-2	+$1,489,000

1/ Included in 1985 and 1986 Estimates above:

Sequestered under P.L. 99-177	-$560,000 and -1 FTE in 1986.
Withdrawal pursuant to P.L. 99-190	-$25,000 in 1986.
Comparative transfer to Departmental Management	-$146,000 and - 3 FTE in 1985 and -$154,000 and -3 FTE in 1986.

Introduction

The Executive Direction and Support Services (EDSS) activity directs the various units that support the Employment Standards Administration's operating programs and assures effective management of these programs. Activities include executive direction, planning, financial management, personnel management, management information systems, support services, program development and research, public information and consumer affairs, internal controls, and equal employment opportunity.

The major objectives of EDSS are to provide effective policy development and executive direction; consolidate administrative management support operations; coordinate ESA agency-wide initiatives in areas of program and fiscal accountability, staffing and resource management, paperwork reduction, and legislative and regulatory improvements; develop improved management information and automated data processing systems and continue implementation of the agency five-year ADP plan; implement Governmentwide initiatives for more effective and cost efficient management of information resources; implement financial management initiatives, identify and control waste, fraud, and mismanagement through implementation of preventative systems; implement methods to achieve GSA space reduction goals; develop and implement strategies and training to improve administrative and work processes and improve staff skills to achieve higher productivity.

1987 Budget Request

The resources requested are for 211 full-time equivalent (FTE) staff years and $13,815,000. The FY 1987 resources will enable EDSS to continue providing efficient and effective policy development and executive direction to ESA's operating programs. Cash management and debt collection activities will continue. Special emphasis will be placed on refining financial management techniques by automating various budget preparation and execution, and accounting activities. Further improvements will be initiated to ensure proper investment of trust fund securities and to minimize costs for financial transactions.

ESA will devote major attention to Governmentwide productivity improvement goals. These efforts will include studies for potential contracting out under OMB Circular A-76 guidelines. Techniques to achieve better individual productivity include advanced training to increase individual proficiency and greater use of ADP technologies to enhance analytical capabilities.

An extensive A-76 review of ESA's mail and file functions is planned involving the national office and field to determine if these functions could be more effectively performed commercially. The review will begin in late FY 1986 and be completed by the fourth quarter of FY 1987.

In FY 1987, EDSS will continue implementing the agency's five-year automated data processing (ADP) plan for developing an agency-wide management information system. The agency will expand its efforts in the areas of ADP security, improved internal controls, and the coordination of the OWCP investigative program. Internal control reviews will be targeted on areas found through the 1986 vulnerability assessment process. EDSS will continue to review management's policies involving the collection, processing, analyses, and storage of information to achieve further reductions in recordkeeping and paperwork required internally and publicly. Research activities to support long and short-term policy and management decisions in the programs will continue with much of the work done in-house.

In conjunction with the Department's Directorate of Information Resources Management (DIRM), ESA will implement the several initiatives being instituted Governmentwide for more effective and cost-efficient management of information resources. These include the sharper delineation of a long-range information resources management (IRM) strategy for the agency (in conjunction with that of the Department). In addition, ESA will implement decision-making and planning processes which will provide for more rational utilization of information resources.

ESA will continue to focus on the planning for and management of the acquisition and use of automated data processing and telecommunications, but will also extend the basic IRM concept into other review and decision-making processes. These techniques would apply to consideration of regulatory and/or legislative reform, internal and external recordkeeping and reporting requirements, and initiatives to improve productivity. It is ESA's intent to implement the full range of IRM review procedures.

1986

The level of resources is $12,326,000 and 213 FTEs. The decrease in funding reflects the reduction of $560,000 and one FTE required by the Balanced Budget and Emergency Deficit Control Act of 1985 (Public Law 99-177). In addition, $25,000 is withheld from obligations pursuant to Section 515 of the Treasury, Postal Service, and General Government Appropriations Act, as referenced in the full-year Continuing Resolution for 1986 (Public Law 99-190).

In FY 1986, EDSS will continue to provide overall policy and executive direction. It will also continue to implement and improve financial and internal control systems in the areas of debt collection and cash management. Attention will be given to reviewing the results and implementing the approved recommendations of ESA, Government Accounting Office (GAO) and Inspector General vulnerability assessments of program areas.

ESA will continue the implementation of the five-year ADP plan for an agency-wide information system which will provide managers and staff with the capacity to track cases and claims, supply management information on caseloads, and furnish daily operational support to the employee benefit claims program.

1985

In FY 1985, emphasis was placed on general management improvement initiatives. Improved cash management techniques were implemented to provide better security, reduced operational costs, and lower vulnerability to fraud and waste. The steps included lock-box receipt procedures for the Wage and Hour

Division, electronic funds transfer, and regional depositing of money penalties imposed for child labor violations.

ESA regulations on debt collection were published. Other debt collection activities included the development of procedures for direct referral of debts to the Department of Justice and finalizing procedures on interest assessment on delinquent debts. The Black Lung program began reporting debts to credit bureaus. Also during 1985, an accounts receivable system for FECA was initiated.

EDSS and the Department developed and prepared a Departmental five-year Financial Management Systems Plan. This plan integrates all major financial systems into the Department of Labor Financial Management System. The purpose of the Financial Management Systems initiative is to establish policy and procedures for developing, operating, evaluating, and reporting on financial management systems throughout the Government.

ESA continued its ambitious program of improvement and agency-wide analysis of its automated data processing (ADP) systems and operations. An agency data processing network was planned, incorporating the capabilities of the Level II Federal Employees' Compensation System (FECS) to meet the field data reporting needs of several programs. Local data analysis needs in the contract compliance program, and a stand-alone support system for the Davis-Bacon Act prevailing wage determination program will be met using microcomputer technology. This comprehensive information resources management approach to planning and application of ADP support has yielded improved work product quality, increased individual productivity, and better overall resource management. A stringent internal justification and evaluation process assures the efficiency and cost-effectiveness of these applications.

Changes for 1987

Activity Changes

Built-in:

Personnel costs including net cost of personnel compensation and benefits	+$236,000
Nonpersonnel costs including increased costs of travel; permanent change of station moves; space rental; communications, utilities, and other rent; working capital fund costs; ADP contracts; other contracts; supplies; and equipment	+$874,000
Subtotal	+$1,110,000
Net program	+$379,000
FTE	-2

Executive Direction and Support Services

Proposal: To provide an increase in the Executive Direction and Support Services activities in support of the program offices within ESA.

Rationale: This proposed increase in staff and funding is needed in order to enable ESA to provide vital support to the major program activities. The increases in space rental are associated with rate increases in privately owned space. Also included is the restoration of funds for contract services which were reduced under P.L. 99-190.

Program Effects: The proposed increases will allow basic support functions to be carried out in critical areas such as financial management, efficiency reviews, productivity improvement initiatives, personnel support, and ADP support.

Base:

FTE: 213 Estimate: $13,436,000

Program increase:

FTE: +4 Estimate: +$666,000

Executive Direction and Support Services

Proposal: To reduce FTEs in the Executive Direction and Support Services activity by six and funding by $287,000 under the Administration's productivity improvement initiative.

Rationale: The reductions reflect savings to be achieved through actions taken to increase productivity without reducing the quality of services.

Program Effects: There will be no adverse effects on program operations or support services as a result of these reductions.

Base:

FTE: 213 Estimate: $13,436,000

Program decrease:

FTE: -6 Estimate: -$287,000

ESA-42

LIST OF NEW POSITIONS REQUESTED

	1987		
	Grade/Step	Number	Annual Salary
Activity: Enforcement of Wage and Hour Standards			
National Office			
Supervisory Wage Hour Analyst ...	GM-14/0	1	$47,393
Wage Hour Analyst	GS-13/4	1	41,358
Wage Hour Analyst	GS-12/4	1	34,781
Wage Hour Analyst	GS-11/5	1	29,897
Wage Hour Analyst	GS-07/1	1	17,824
Subtotal		5	171,253
Field Office			
Compliance Officers	GS-11/3	5	140,695
Subtotal		5	140,695
Total, New Positions 1/		10	$311,948

1/ New positions requested in FY 1987 will be staffed with on-board personnel.

ADVISORY AND ASSISTANCE SERVICES 1/

EMPLOYMENT STANDARDS ADMINISTRATION
Salaries and Expenses

	FY 1986	FY 1987
Type of Services		
Advisory and Assistance Services	$197,250	$131,000
Personnel Appointments:		
a. Consultants and Experts	35,000	---
b. Advisory Commission Members	---	---
Total	232,250	131,000
Withdrawn from Obligation under Section 515, Treasury-Postal Service Appropriations Act, 1986, (Referenced in P.L. 99-190)	-131,000	---
Revised Total	$101,250	$131,000

Justification of 1987 Request

Activity 1. Enforcement of Wage and Hour Standards ($11,500):

A consulting service is needed to prepare a dictionary of job occupations to be used for wage determinations issued under the Service Contracts Act. Services of handicapped employees of sheltered workshops are needed to provide input and advice at Sheltered Workshop Advisory Committee meetings.

Activity 2. Federal Contractor EEO Standards Enforcement ($0):

None.

Activity 3. Federal Programs for Workers' Compensation ($90,000):

The services of certain medical specialists and other consultants are needed to advise OWCP in the development of medical guidelines for pulmonary diseases. In addition, training services in new medical developments are needed for physicians employed by the Federal Employees' Compensation Act.

Activity 4. Executive Direction and Support Services ($29,500):

Management and support services are needed to provide data in support of policy and program management decisions.

1/ The Cabinet Council on Management and Administration (CCMA) defines advisory and assistance services as those activities funded under six categories of procurements found in the Federal Procurement Data System. These categories include: (1) Management and Professional Services, (2) Special Studies and Analysis, (3) Management and Support Services for Research and Demonstration, (4) Training, (5) Management Review of Program-Funded Organizations, and (6) Public Relations.

STANDARD FORM 306
July 1968, Bureau of the Budget
Circular No. A-11, Revised.

ESA-44

DETAIL OF PERMANENT POSITIONS

	19 85 actual	19 86 estimate	19 87 estimate
Executive Level V	1	1	1
Subtotal	1	1	1
ES-6	1	2	2
ES-5	1	1	1
ES-4	10	17	17
ES-3	8	2	2
ES-2	2	1	1
ES-1	3	2	2
Subtotal	25	25	25
GS/GM-15	75	74	73
GS/GM-14	228	226	224
GS/GM-13	466	463	459
GS-12	1,140	1,132	1,122
GS-11	652	648	642
GS-10	-	-	-
GS-9	207	206	204
GS-8	23	23	23
GS-7	328	326	323
GS-6	191	190	188
GS-5	473	470	466
GS-4	209	208	206
GS-3	137	136	135
GS-2	6	6	6
GS-1	-	-	-
Subtotal	4,135	4,108	4,071
Total Permanent Positions	4,161	4,134	4,097
Unfilled Positions, end-of-year 1/	175	-	-
Total permanent employment, end-of-year	3,986	4,134	4,097
1/ Worker-Trainee Opportunity Program positions included in above	(6)	(-)	(-)

EMPLOYMENT STANDARDS ADMINISTRATION

SPECIAL BENEFITS

	Page No.
Appropriation language	1
Analysis of appropriation language	2
Amounts available for obligation	2
Summary of changes	3
Budget Authority by activity	4
Budget Authority by object	4
Significant items in House and Senate Appropriation Committee Reports	4
Authorizing legislation	5
Appropriation history	5
Justification:	
Appropriation	6
General Statement	6
Activities:	
Federal Employees' Compensation Act benefits	7
Longshore and Harbor Workers' Compensation benefits	9

EMPLOYMENT STANDARDS ADMINISTRATION

SPECIAL BENEFITS

For payment of compensation, benefits, and expenses (except administrative expenses) accruing during the current or any prior fiscal year authorized by Title V, chapter 81 of the United States Code; continuation of benefits as provided for under the head "Civilian War Benefits" in the Federal Security Agency Appropriation Act, 1947; the Employees' Compensation Commission Appropriation Act, 1944; and Sections 4(c) and 5(f) of the War Claims Act of 1948 (50 U.S.C. App. 2012); and 50 per centum of the additional compensation and benefits required by Section 10(h) of the [Longshoremen's] *Longshore* and Harbor Workers' Compensation Act, as amended, [$259,500,000] *$263,600,000*, together with such amounts as may be necessary to be charged to the subsequent year appropriation for the payment of compensation and other benefits for any period subsequent to September 15 of the current year: *Provided*, That in addition there shall be transferred from the Postal Service fund to this appropriation such sums as the Secretary of Labor determines to be the cost of administration for Postal Service employees through September 30, [1986] *1987*. *(5 U.S.C. 8147, 8191-93; 42 U.S.C. 755, 1701; 50 U.S.C. 2001-2013; Department of Labor Appropriation Act, 1986.)*

SB-2

ANALYSIS OF APPROPRIATION LANGUAGE

Language Provision	Explanation
"... together with such amount as may be necessary to be charged to the subsequent year appropriation for the payment of compensation and other benefits for any period subsequent to September 15 of the current year."	This language provides authority to advance funds from the next fiscal year appropriation anytime between September 15 and September 30 of the current year. It enables the Employment Standards Administration to meet any immediate shortage of funds during this period without having to request additional resources through a supplemental appropriation.
"... Provided, that in addition there shall be transferred from the Postal Service fund to this appropriation such sums as the Secretary of Labor determines to be the cost of administration for Postal Service employees through September 30, 1986."	This language provides authority to transfer from the Postal Service fund to this account administrative costs incurred by Employment Standards Administration for servicing Postal Service employees during the current fiscal year. If this proviso were not in this language, these expenses would be paid directly into the Treasury as miscellaneous receipts as authorized by Section 8149 of the Federal Employees' Compensation Act.

AMOUNTS AVAILABLE FOR OBLIGATION

	1985	1986	1987
Appropriation	$211,400,000	$259,500,000	$263,600,000
Sequestered under P.L. 99-177	----	-22,843,000	---
Revised Appropriation	211,400,000	236,657,000	263,600,000
A. Subtotal, appropriation	211,400,000	236,657,000	263,600,000
Offsetting collections from: Federal agencies	856,125,000	885,000,000	933,000,000
Unobligated balance lapsing	-1,057,000	---	---
B. Total Available Budget Authority	$1,066,468,000	$1,121,657,000	$1,196,600,000
C. Total estimated obligations	$1,066,468,000	$1,121,657,000	$1,196,600,000

SB-3

SUMMARY OF CHANGES

Budget Authority:	1986	1987	Net Change
Amounts available for obligation	$1,121,657,000	$1,196,600,000	+$74,943,000
Total	$1,121,657,000	$1,196,600,000	+$74,943,000

	General Funds	Offsetting Collections from Federal Agencies
Explanation of Change:		
Increases		
Built In:		
Federal Employees' Compensation Act benefits	+$26,943,000	+$48,000,000
Total Increase	+26,943,000	+48,000,000
Total Change	+$26,943,000	+$48,000,000

SB-4

BUDGET AUTHORITY BY ACTIVITY

	1985 Actual	1986 Appropriation	1986 Estimate	1987 Estimate	Increase or Decrease
1. Federal Employees' Compensation Act benefits	$1,061,754,000	$1,139,900,000	$1,117,057,000	$1,192,000,000	+$74,943,000
2. Longshore and Harbor Workers' Compensation Act benefits	4,714,000	4,600,000	4,600,000	4,600,000	---
Total Budget Authority	$1,066,468,000	$1,144,500,000	$1,121,657,000 1/	$1,196,600,000	+$74,943,000

1/ Included in 1986 Estimate above:

Sequestered under P.L. 99-177 ..... -$22,843,000.

BUDGET AUTHORITY BY OBJECT

	1985 Actual	1986 Estimate	1987 Estimate
Insurance claims and indemnities	$1,067,525,000 1/	$1,121,657,000	$1,196,600,000
Deduct: Offsetting collections from Federal Agencies	-856,125,000	-885,000,000	-933,000,000
Total, budget authority by object	$211,400,000	$236,657,000	$263,600,000

1/ Includes unobligated balance lapsing in the amount of $1,057,000.

SIGNIFICANT ITEMS IN 1986
HOUSE AND SENATE APPROPRIATION COMMITTEE REPORTS

Item	Action taken or to be taken
1986 House Report (No. 99-289)	
No specific action recommended.	
1986 Senate Report (No. 99-151)	
No specific action recommended.	
1986 Conference Report (No. 99-402)	
No specific action recommended.	

SB-5

AUTHORIZING LEGISLATION

Legislation	Budget Request 1986	Budget Request 1987
Authorizing legislation containing specific authority		
Federal Employees' Compensation Act, approved September 7, 1916, 5 U.S.C. 8147	$232,057,000	$259,000,000
Longshore and Harbor Workers' Compensation Act, approved March 4, 1927, Section 44(a) and 44(j), as amended in 1972 by P.L. 92-576, as amended September 28, 1984 by P.L. 98-426	4,600,000	4,600,000

APPROPRIATION HISTORY

	Budget Estimates to Congress	House Allowance	Senate Allowance	Appropriation
1977	317,818,000	317,818,000	317,818,000	317,818,000
1978	319,360,000	319,360,000	319,360,000	319,360,000
1979	231,200,000	231,200,000	231,200,000	231,200,000
1980	307,386,000	282,386,000	282,386,000	282,386,000
1981	319,269,000	319,269,000	319,269,000	282,047,000
1982	348,892,000	348,892,000	348,892,000	348,892,000
1983	339,600,000	339,600,000	339,600,000	339,600,000
1984	215,100,000	215,100,000	220,100,000	220,100,000
1985	211,400,000	211,400,000	211,400,000	211,400,000
1986 1/ .	259,500,000	259,500,000	259,500,000	259,500,000
Sequestered under P.L. 99-177				-22,843,000
1987	263,600,000			

1/ Does not include reductions pursuant to P.L. 99-177.

SB-6

EMPLOYMENT STANDARDS ADMINISTRATION

Special Benefits

JUSTIFICATION

	1985 Actual	1986 Appropriation	1986 Estimate	1987 Estimate	Increase or Decrease
Federal Employees' Compensation Act benefits ..	$1,061,754,000	$1,139,900,000	$1,117,057,000	$1,192,000,000	+$74,943,000
Longshore and Harbor Workers' Compensation Act benefits ..	4,714,000	4,600,000	4,600,000	4,600,000	---
Total Budget Authority	$1,066,468,000	$1,144,500,000	$1,121,657,000 1/	$1,196,600,000	+$74,943,000
1/ Included in 1986 Estimate above: Sequestered under P.L. 99-177			-$22,843,000.		

GENERAL STATEMENT

The Special Benefits Fund, administered by the Employment Standards Administration, is composed of two accounts, representing obligations for benefits under the Federal Employees' Compensation Act, as amended, with extensions, and the Longshore and Harbor Workers' Compensation Act, as amended, with extensions. The requested funding provides resources necessary to meet required payments for compensation, medical costs, vocational rehabilitation, and other benefits made to eligible claimants or their survivors, as mandated by each of the Acts.

SB-7

FEDERAL EMPLOYEES' COMPENSATION ACT BENEFITS

1985 Actual	1986 Appropriation	1986 Estimate	1987 Estimate	Increase or Decrease
$1,061,754,000	$1,139,900,000	$1,117,057,000 1/	$1,192,000,000	+$74,943,000

1/ Included in 1986 Estimate above:
Sequestered under
P.L. 99-177 ..... -$22,843,000.

Introduction

The Federal Employees' Compensation Act (FECA) provides payment of benefits to Federal civilian employees of the United States who are disabled as a result of injury or illness sustained in the performance of duty, and to the dependents of disabled employees in case of death resulting from such injury or illness. Under extensions of the Act, benefits are also paid to certain groups such as non-Federal law enforcement officers, Job Corps enrollees, and volunteers. The principal costs of the program are compensation benefits for permanent disability and death. Factors influencing the cost of compensation benefits and medical expenses include the number of covered employees; the wage levels on which compensation is based; the severity and frequency of injuries; the cost of medical care; cost-of-living changes based on changes in the Consumer Price Index; and the number of employees choosing compensation instead of using sick or annual leave. To keep current with the continuing changes occurring in the FECA cost components, the Department has been using an econometric model to forecast benefit expenditures. Resources needed to meet required payments of benefits from the Special Benefits Fund are composed of direct appropriations and reimbursements from other Federal and non-Federal agencies for the cost of compensation and medical care incurred by the Department of Labor on behalf of these employees.

1987 Budget Request

In the administration of the Federal Employees' Compensation Act, the program's priorities are to insure that only eligible claimants receive benefits, that claims are processed in a timely manner according to established criteria, and that Federal agencies are made aware of and trained in their responsibilities for processing claims resulting from injuries incurred by the employees, and the compensation costs associated with these injuries. The Employment Standards Administration intends to accomplish the latter by providing agencies with technical assistance. Compensation costs are expected to total $1,192,000,000, amounting to a $74,943,000 increase from FY 1986. Medical expenditures paid out of this fund in FY 1987 reflect a continuing increase in costs for medical examination and treatment.

The total costs of benefits paid includes reimbursements from other agencies. The level of reimbursements from the employing agencies is expected to increase from $885,000,000 in FY 1986 to $933,000,000 in FY 1987.

SB-8

Federal Employees' Compensation Act
Workload Statistics

Workload	FY 1985 Actual	FY 1986 Estimate	FY 1987 Estimate
Cases Received	166,362	166,000	166,000
Wage Loss Claims	21,652	21,200	21,200
Periodic Roll Cases	47,905	47,800	47,800
Compensation & Medical Payments	1,483,844	1,400,000	1,400,000

1986

Benefit costs, which include disability, medical, death, and other related benefits, are expected to increase but at a much lower rate than was experienced from the mid-1970s to the early 1980s. The largest share of costs are generated by existing cases on the periodic long term disability roll so that any moderation in the incoming workload will not significantly impact benefit costs immediately. The program expects to obligate $1,117,057,000 in benefit payments during FY 1986.

There is a possible problem with the collection of reimbursements from other agencies in 1986. The Postal Service did not receive an appropriation to cover the FECA costs incurred by the former Post Office Department prior to July 1, 1971. The Postal Service has unofficially informed the Department of Labor that it does not intend to pay the $39,127,748 owed to the fund. Should this occur, the Department of Labor will be unable to meet its obligations within existing resources.

For FY 1986 the special benefits account was reduced by $7,843,000 as a result of Public Law 99-177. This represents approximately 4.3 percent of the estimated medical costs of the FECA program. The medical payments of the program will have to be reduced to comply with the law. Also reflected in the reduction were anticipated outlays of $15,000,000 for cost of living adjustments (COLA) cancelled under Public Law 99-177.

1985

In FY 1985, funds in the amount of $1,061,754,000 were paid to claimants or their survivors eligible for benefits, which is about a five percent increase above the previous year outlays of $1,012,435,000.

LONGSHORE AND HARBOR WORKERS' COMPENSATION ACT BENEFITS

1985 Actual	1986 Appropriation	1986 Estimate	1987 Estimate	Increase or decrease
$4,714,000	$4,600,000	$4,600,000	$4,600,000	---

Introduction

Section (10h) of the amended Longshore and Harbor Workers' Compensation Act (LHWCA) authorized annual adjustments in compensation to beneficiaries in cases of permanent total disability or death occurring on or prior to October 27, 1972, with the Federal Government paying half the costs of the annual increase for compensating those cases. Direct appropriation provides the necessary resources to meet the required annual increase in benefits for the Federal share of the costs for compensation and related benefits for the pre-1972 cases. The remaining 50 percent of the compensation is paid by private insurance companies and/or employers.

1987 Budget Request

Priority for this activity will be to continue providing prompt and accurate payment of compensation and related benefits to claimants, pursuant to Section 10(h)(2) of the amended Act. In FY 1987, the Federal share of required payments will be $4,600,000 which will include the increase necessary for the annual October weekly wage adjustment.

1986

Obligations for the Longshore and Harbor Workers' Compensation Act benefits are expected to decrease to a level of $4,600,000 in FY 1986. Reflected in this amount are costs related to the annual weekly wage adjustment under Section 10 of the amended Act, which occurred in October 1985 and is being paid to approximately 1,400 pre-1972 amendment cases. The 1984 Amendments to the LHWCA provide for a five percent cap on annual adjustments to benefits.

1985

In FY 1985, $4,714,000 in compensation benefits were paid to eligible claimants under Section 10(h) of the LHWCA, which is a 15 percent increase above the previous year total of $4,100,000. The growth was due to the annual adjustments being more than case attrition and the fact that some new cases, with large initial lump sum payments, are still being put in the Special Fund.

EMPLOYMENT STANDARDS ADMINISTRATION

BLACK LUNG DISABILITY TRUST FUND

	Page No.
Appropriation language	1
Analysis of appropriation language	2
Amounts available for obligation	2
Summary of changes	3
Budget Authority by activity	4
Budget Authority by object	4
Significant items in FY 1986 House and Senate Appropriations Committees Reports	4
Authorizing legislation	5
Appropriation history	5
Justification:	
Appropriation	6
General statement	6
Activity:	
Black Lung Disability Trust Fund	7

EMPLOYMENT STANDARDS ADMINISTRATION

BLACK LUNG DISABILITY TRUST FUND

For payments from the Black Lung Disability Trust Fund [$988,422,000] *$958,689,000* of which [$942,868,000] *$910,838,000* shall be available until September 30, [1987] *1988* for payment of all benefits and interest on advances under subsection (c)(2) of section 9501 of the Internal Revenue Code of 1954, as amended, as authorized by section 9501(d)(1), (2), (4), and (7) of that Act and of which [$25,481,000] *$25,826,000* shall be available for transfer to Employment Standards Administration, Salaries and Expenses, and [$19,697,000] *$21,413,000* for transfer to Departmental Management, Salaries and Expenses, and [$376,000] *$612,000* for transfer to Departmental Management, Office of the Inspector General for expenses of operation and administration of the Black Lung Benefits program as authorized by section 9501(d)(5)(A) of that Act: *Provided*, That in addition, such amounts as may be necessary may be charged to the subsequent year appropriation for the payment of compensation, other benefits or interest on advances for any period subsequent to June 15 of the current year: *Provided further*, That in addition, such amounts shall be paid from this fund into miscellaneous receipts as the Secretary of the Treasury determines to be the administrative expenses of the Department of the Treasury for administering the fund during the current fiscal year, as authorized by section 9501(d)(5)(B) of that Act. *(30 U.S.C. 901; Department of Labor Appropriation Act, 1986.)*

BL TRUST-2

ANALYSIS OF APPROPRIATION LANGUAGE

Language Provision	Explanation
"... Provided, That in addition, such amounts as may be necessary may be charged to the subsequent year appropriation for the payment of compensation, other benefits or interest on advances for any period subsequent to June 15 of the current year."	This language provides authority to advance funds from the next fiscal year appropriation anytime between June 15 and September 30 of the current year. This authority enables the Employment Standards Administration to meet any shortage of funds that may occur in this trust fund during this period without having to request additional resources through a supplemental appropriation.

AMOUNTS AVAILABLE FOR OBLIGATION

	1985	1986	1987
Appropriation	$949,420,000	$988,422,000	$958,689,000
Appropriation indefinite	665,000	756,000	756,000
Appropriation available in prior year	-7,463,000	---	---
Sequestered under P.L. 99-177	---	-6,618,000	---
Revised appropriation	942,622,000	982,560,000	959,445,000
A. Total Available Budget Authority	942,622,000	982,560,000	959,445,000
Other unobligated balance available, start of year	---	+45,146,000	+68,555,000
Other unobligated balance available, end of year	-45,146,000	-68,555,000	---
B. Total, estimated obligations	$897,476,000	$959,151,000	$1,028,000,000

BL TRUST-3

SUMMARY OF CHANGES

Budget Authority:	1986	1987	Net Change
Total	$982,560,000	$959,445,000	-$23,115,000

Explanation of Change:	Estimated Obligations
Increases:	
A. Built-in:	
To provide for an increase in interest payments on repayable advances	+$40,000,000
To provide for an increase in administrative expenses	+4,256,000
Total Increase	+$44,256,000
Decreases:	
A. Built-in:	
To provide for a decrease in the cost of benefit payments.	-$67,371,000
Total Decrease	-67,371,000
Total Change	-$23,115,000

BL TRUST-4

BUDGET AUTHORITY BY ACTIVITY

	1985 Actual	1986 Appropriation	1986 Estimate 1/	1987 Estimate	Change
1. Disabled coal miners benefits	$630,318,000	$629,868,000	$625,209,000	$557,838,000	-$67,371,000
2. Administrative expenses	39,304,000	46,310,000	44,351,000	48,607,000	+4,256,000
3. Interest on advances	273,000,000	313,000,000	313,000,000	353,000,000	+40,000,000
Total Budget Authority	$942,622,000	$989,178,000	$982,560,000	$959,445,000	-$23,115,000

1/ Included in 1986 Estimate above:
Sequestered under P.L. 99-177 ..... -$6,618,000.

BUDGET AUTHORITY BY OBJECT

	1985 Actual	1986 Estimate	1987 Estimate
Other services	$39,304,000	$44,351,000	$48,607,000
Insurance claims and indemnities	630,318,000	625,209,000	557,838,000
Interest and dividends	273,000,000	313,000,000	353,000,000
Total, Budget Authority by object	$942,622,000	$982,560,000	$959,445,000

SIGNIFICANT ITEMS IN 1986 HOUSE AND SENATE APPROPRIATION COMMITTEES REPORTS

Item — Action taken or to be taken

1986 House Report (No. 99-289)

No specific action recommended.

1986 Senate Report (No. 99-151)

No specific action recommended.

1986 Conference Report (No. 99-402)

No specific action recommended.

BL TRUST-5

AUTHORIZING LEGISLATION

Legislation	Budget Request 1986	Budget Request 1987
Authorizing legislation containing specific authority		
Black Lung Benefits Revenue Act of 1977; P.L. 95-227 as amended in 1981 by P.L. 97-119	$982,560,000	$959,445,000

APPROPRIATION HISTORY 1/

	Budget Estimates to Congress	House Allowance	Senate Allowance	Appropriation
1978	$183,870,000	$181,689,000	$181,689,000	$181,689,000
1979	722,265,000	722,265,000	722,265,000	722,265,000
1980	859,323,000	859,323,000	859,323,000	859,323,000
1981	797,261,000	740,636,000	740,636,000	738,036,000
1982	769,244,000	769,244,000	769,244,000	769,244,000
1983	859,544,000	859,544,000	859,544,000	859,544,000
1984	326,244,000	826,244,000	853,994,000	853,944,000
1985	949,244,000	949,244,000	949,244,000	949,420,000
1986 2/ ..	984,022,000	988,471,000	988,422,000	988,422,000
Sequestered under P.L. 99-177				-6,618,000
1987	959,445,000			

1/ Appropriation history data do not include indefinite appropriation of $756,000 for the Department of the Treasury.

2/ Does not include reductions pursuant to P.L. 99-177.

BL TRUST-6

EMPLOYMENT STANDARDS ADMINISTRATION

Black Lung Disability Trust Fund

JUSTIFICATION

	1985 Actual	1986 Appropriation	1986 Estimate	1987 Estimate	Increase or Decrease
Disabled coal miners benefits ..	$630,318,000	$629,868,000	$625,209,000	$557,838,000	-$67,371,000
Administrative expenses	39,304,000	46,310,000	44,351,000	48,607,000	+4,256,000
Interest on advances	273,000,000	313,000,000	313,000,000	353,000,000	+40,000,000
Total Budget Authority	$942,622,000	$989,178,000	$982,560,000 1/	$959,445,000	-$23,115,000
1/ Included in 1986 Estimate above: Sequestered under P.L. 99-177			-$6,618,000.		

GENERAL STATEMENT

The Black Lung Disability Trust Fund was established under the Black Lung Revenue Act of 1977 and is jointly administered by the Secretaries of Labor, Treasury, and Health and Human Services. The Fund provides for payment of benefits, administrative expenses related to the operation of the program, and repayments of advances to the general fund with interest. Resources for the Fund are derived from an excise tax on the tonnage of coal, fines and penalties assessed the mine operators, and when needed, funds transferred from the Advances to the Unemployment Trust Fund and other Funds appropriation account.

BL TRUST-7

BLACK LUNG DISABILITY TRUST FUND

1985 Actual	1986 Appropriation	1986 Estimate	1987 Estimate	Increase or Decrease
$942,622,000	$989,178,000	$982,560,000 1/	$959,445,000	-$23,115,000

1/ Included in 1986 Estimate above:
Sequestered under P.L. 99-177 ..... -$6,618,000.

Introduction

The Black Lung Disability Trust Fund was established by the Black Lung Benefits Revenue Act of 1977, companion legislation to the Black Lung Benefits Reform Act of 1977, to implement the shift of fiscal responsibility for Black Lung benefit payments from the Federal Government to the coal industry. The Trust Fund is financed primarily by a coal excise tax of $1.00 per ton on underground-mined coal and 50 cents per ton on surface-mined coal, in either case not to exceed four percent of the sale price. Additional funds come from reimbursements from coal mine operators for interim benefit payments made by the Fund before the operator was finally held liable, income from investments on surplus funds by the Secretary of the Treasury, if any, and advances appropriated to the Fund when liabilities exceed income. Such advances are repayable with interest.

The Trust Fund pays all Black Lung benefits, including income maintenance and medical benefits, when no coal mine operator can be held liable for payments. Income maintenance payments are based on thirty-seven and a half percent of the GS-2 salary level. The Fund also pays all costs incurred by the Departments of Labor, Treasury, and Health and Human Services in administering Part C of the Black Lung benefits program and operating the Trust Fund.

The Black Lung Benefits and Revenue Amendments of 1981, enacted December 29, 1981, made certain changes in the Black Lung program intended to remedy the continuing deficit in Trust Fund expenditures and place the Black Lung program on a sounder financial basis. These changes included a doubling of the excise tax for a period of time, the transfer of certain cases (approximately 12,000) from coal mine operators liability to payment by the Trust Fund, and adjustment of interest rates charged operators on interim payments to reflect market rates.

1987 Budget Request

A total of $1,028,000,000 will be needed to fund all Trust Fund expenditures in FY 1987. Of this amount, only $959,445,000 in budget authority is being requested for FY 1987 since $68,555,000 is expected to be carried over from FY 1986 budget authority. FY 1987 obligations include $626,393,000 for compensation and medical treatment payments to the 148,121 beneficiaries who will be in payment status during the year, $48,607,000 in administrative costs, and $353,000,000 for interest payments on repayable advances.

Department of Treasury tax receipts estimates, which are based on Department of Energy coal tonnage estimates, are expected to total approximately $580,000,000 for FY 1987. Black Lung benefits have exceeded coal tax revenues for a number of years, which has resulted in the rapid growth of the Trust Fund deficit. In order to move toward the future solvency of the Trust Fund and to fulfill the original intent of the Congress that the cost of the program be borne by the coal industry, the Administration is proposing an increase in the coal tonnage tax to eliminate further advances and permit repayment of the accumulated deficit. This proposed legislation will result in an increase in tax receipts of $203,000,000 in FY 1987

and a reduction in the need for advances by $221,000,000 which will result in a reduction of $18,000,000 in interest payments.

Without legislation, an estimated $448,000,000 will be required to be advanced from the Unemployment Trust Fund and Other Funds account to meet all Black Lung Disability Trust Fund obligations. In addition to these receipts, we expect reimbursements from responsible coal mine operators to reach $8,000,000.

1986

A total of $959,151,000 will be needed to meet Trust Fund obligations in FY 1986. The decrease in funding reflects the reductions required by the Balanced Budget and Emergency Deficit Control Act of 1985 (Public Law 99-177). This amount includes $601,800,000 for benefit and medical treatment payments to 156,491 beneficiaries, $44,351,000 in administrative costs, and $313,000,000 for interest payments on repayable advances. Coal taxes and other receipts are expected to be $546,000,000 and $411,488,000 in advances will be required. Reimbursements from responsible coal mine operators are projected to amount to $8,000,000.

1985

Of the total FY 1985 budget authority, obligations amounted to $897,476,000. This amount included $583,422,000 in benefit payments to 164,390 beneficiaries, $39,303,000 in administrative costs, and $274,751,000 in interest payments on repayable advances. Receipts totaled $581,963,000, which included a Treasury adjustment of $19,595,000, and $335,545,000 in Federal advances were required. Reimbursements from responsible coal mine operators amounted to $8,040,000.

THURSDAY, FEBRUARY 27, 1986.

LABOR-MANAGEMENT SERVICES

SALARIES AND EXPENSES

WITNESSES

DENNIS M. KASS, ASSISTANT SECRETARY FOR PENSION AND WELFARE BENEFIT ADMINISTRATION

STEPHEN I. SCHLOSSBERG, DEPUTY UNDER SECRETARY FOR LABOR-MANAGEMENT RELATIONS AND COOPERATIVE PROGRAMS

RONALD J. ST. CYR, ACTING ASSISTANT SECRETARY FOR LABOR-MANAGEMENT STANDARDS

MARY ANN WYRSCH, DIRECTOR, OFFICE OF BUDGET

Mr. NATCHER. At this time, we take up the budget request for Labor-Management Services, and we have before the committee Mr. Dennis M. Kass, the Assistant Secretary for Pension and Welfare Benefits Administration. We are delighted to have you before the committee.

Who do you have with you there at the table?

PENSION AND WELFARE BENEFITS ADMINISTRATION

Mr. KASS. Under Secretary Steve Schlossberg, Labor-Management Relations and Cooperative Programs and Ron St. Cyr, Acting Assistant Secretary for Labor-Management Services.

Mr. Chairman, I would like to read an abbreviated statement into the record, and submit the balance for the record.

We have initiated a number of actions to improve the efficiency, effectiveness and credibility of our administration of the Title I program, especially in the enforcement area.

For example, the enforcement program was restructured in 1985 to promote greater efficiency in our field operations; a Division of Investigations was established in the national office to conduct complex, highly visible nationwide investigations; and a comprehensive enforcement training program was undertaken.

We are currently in the process of performing a comprehensive review of the Form 5500 series, with a view toward significantly improving the usefulness of these forms for the government and plan participants, while at the same time reducing the related paperwork burden on the public.

The fiscal year 1987 budget request for PWBA totals $33.6 million and includes 492 FTE. This represents an increase of $6.0 million and 13 FTE from our fiscal year 1986 level.

The primary changes from fiscal year 1986 include additional resources to continue to develop an effective and comprehensive system for the collection and dissemination of ERISA data; to

update the Department's current longitudinal base of pension data; and to provide increases in the field plan accomplishments, employee training, and contractual expenditures.

Our fiscal year 1987 budget reflects a continued effort to define objectives that directly support our overall program goals.

We will continue to make our enforcement and regulatory responsibilities a priority in our overall resource allocation. In addition, we are seeking funds to go forward on two major initiatives.

Our fiscal year 1987 budget includes a contingency amount of $1.1 million for development of a comprehensive ERISA data base system pending completion of analyses started in fiscal year 1986 on the need, alternatives for and impact of such a system.

The results of these analyses will, we expect, be translated into requests for proposals for the data base development, and the technical expertise to support its development.

Our fiscal year 1987 request also includes $.8 million to update our existing longitudinal pension data base. The continuation of this program, which we have had in place for several years, is essential if we are to have adequate statistical, economic and benefit information to make informed policy and regulatory decisions in today's rapidly changing plan universe.

In summary, I feel our budget proposal represents a conservative yet responsible approach to meeting our vast responsibilities under Title I of ERISA.

Mr. Chairman, that concludes my opening statement. I would be pleased to respond to any questions you may have. Mr. Schlossberg will speak next.

[The statement and biography of Mr. Kass follows:]

Statement of Dennis M. Kass
Assistant Secretary of Labor
for Pension and Welfare Benefits
Appropriations Subcommittee
Fiscal Year 1987 Budget Request

Labor-Management Services
Salaries and Expenses
February 1986

Mr. Chairman and members of the subcommittee, I appreciate the opportunity to appear before you today. I will present the Pension and Welfare Benefits Administration portion of the Labor-Management Services budget request for fiscal year 1987. Sitting with me are Acting Assistant Secretary Ronald J. St. Cyr, representing the Office of Labor-Management Standards, and Deputy Under Secretary Stephen I. Schlossberg, representing the Labor-Management Relations and Cooperative Programs, who will discuss their respective portions of the Labor-Management Services budget request following my presentation.

I am honored to be here as the first Assistant Secretary of Labor for Pension and Welfare Benefits. The upgrading of the agency head position to Assistant Secretary along with the redesignation of our agency as the Pension and Welare Benefits Administration reflects the importance that Secretary Brock attaches to the responsibilities we have to administer and enforce ERISA and to provide leadership in the development of national policy on employee benefit plans.

Private sector pension and welfare benefit programs and their related assets continue to grow at a significant rate and are of increasing importance to American workers and to our economy. Specifically, there are over 900 thousand private sector pension plans that cover approximately 60 million participants and hold over $1 trillion in assets. Welfare benefit plans, of which there are an estimated 4.5 million, cover a majority of Americans. As a result, we at the Department are striving to improve the quality of our efforts, especially in the enforcement, regulatory, and research areas.

We have initiated a number of actions to improve the efficiency, effectiveness and credibility of our administration of the Title I program, especially in the enforcement area. For example, the enforcement program was restructured in 1985 to promote greater efficiency in our field operations; a Division of Investigations was established in the national office to conduct complex, highly visible nationwide investigations; and a comprehensive enforcement training program was undertaken. We are currently in the process of performing a comprehensive review of the Form 5500 series with a view towards significantly improving the usefulness of these forms for the government and plan participants while at the same time reducing the related paperwork burden on the public. We are also committed to finalizing a number of major regulations and exemptions which will

serve to provide guidance to the private sector and protect plan participants while promoting a careful reduction of the regulatory burden on plans and their sponsors. All these activities flow from the broader goals established by Secretary Brock, who has taken a number of definitive actions to demonstrate his commitment to this program. These and other important initiatives will continue in 1987.

The fiscal year 1987 budget request for PWBA totals $33.6 million and includes 492 FTE. This represents an increase of $6.0 million and 13 FTE from our FY 1986 level. The primary changes from FY 1986 include additional resources to continue to develop an effective and comprehensive system for the collection and dissemination of ERISA data; to update the Department's current longitudinal base of pension data; and to provide increases in field plan accomplishments, employee training, and contractual expenditures.

Our FY 1987 budget reflects a continued effort to define objectives that directly support our overall program goals. We will continue to make our enforcement and regulatory responsibilities a priority in our overall resource allocation. In addition, we are seeking funds to go foward on two major initiatives.

Our FY 1987 budget includes a contingency amount of $1.1 million for development of a comprehensive ERISA data base system pending completion of analyses starting in FY 1986 on the need, alternatives for and impact of such a system. The results of these analyses will, we expect, be translated into requests for proposals for the data base development, and the technical expertise to support its development.

Our FY 1987 request also includes $.8 million to update our existing longitudinal pension data base. The continuation of this program, which we have had in place for several years, is essential if we are to have adequate statistical, economic and benefit information to make informed policy and regulatory decisions in today's rapidly changing plan universe.

In summary, I feel our budget proposal represents a conservative yet responsible approach to meeting our vast responsibilities under Title I of ERISA. Mr Chairman, that concludes my opening statement, I would be pleased to respond to any questions you may have.

Biographical Sketch

DENNIS M. KASS

Assistant Secretary
Pension and Welfare Benefit Administration
Department of Labor

Dennis M. Kass was appointed Assistant Secretary of the Pension and Welfare Benefits Admnistration on December 4, 1985, giving him direct administrative, regulatory and enforcement responsibility for over 800,000 pension and 4-1/2 million welfare plans covered by the Employee Retirement Income Security Act (ERISA).

Mr. Kass was Managing Director of Equitable Investment Corporation from 1983 before joining the Labor Department. From 1982 to 1983, he was Vice President of Dean Witter Reynolds, Inc.

Previously, he spent two years on the White House staff, serving as Special Assistant to the President for Policy Development and Executive Secretary of the Cabinet Council on Commerce and Trade. Mr. Kass also served as Assistant Director for Policy Coordination of the Reagan/Bush Transition Team during 1980.

Mr. Kass held the position of manager in the corporate finance department of Citicorp Investment Bank and was an officer in the World Corporation Group of Citibank, N.A., from 1977 to 1980.

He graduated in 1972 from Principia College with a degree in history and received a Masters of Science in Management from the Massachusetts Institute of Technology in 1977.

Mr. NATCHER. Fine, we will be pleased to hear from you.

BUREAU OF LABOR MANAGEMENT RELATIONS AND COOPERATIVE PROGRAMS

Mr. SCHLOSSBERG. If it would be appropriate, I will submit my statement for the record, and talk to you for a few minutes, if I could.

Mr. NATCHER. Go right ahead.

Mr. SCHLOSSBERG. This is our submission for the 1987 fiscal year budget involving a net increase of $353,000 over fiscal year 1986, and a reduction of one position.

It has a $4.9 million budget with 68 FTEs. The increase is represented primarily by the Gramm-Rudman figure that we lost, and the reason we are asking for this increase back, Mr. Chairman, is because we want to enhance our ability to have conferences on labor-management relations, to promote labor-management cooperation, to increase the opportunity for the parties in industrial relations to work together, to build a sound and competitive economy.

And we want also to increase our ability to do research on cases of either success or failure in labor-management relations, so we will understand the reasons in each case, and to improve our publications capacity.

I will be glad to answer any questions you have, Mr. Chairman.

[The statement and biography of Mr. Schlossberg follows:]

Statement by Stephen I. Schlossberg
Deputy Under Secretary
for the Bureau of Labor-Management Relations
and Cooperative Programs
Appropriations Subcommittees
Fiscal Year 1987 Budget Request

Labor-Management Services
Salaries and Expenses
February 1986

Mr. Chairman and Members of the Subcommittee, I appreciate this opportunity to appear before you as the Deputy Under Secretary for Labor-Management Relations and Cooperative Programs to present the budget request for fiscal year 1987.

The fiscal year 1987 request for the Bureau is $4,904,000 and 68 FTE's. From FY 1986 this is a net increase of $353,000 and a reduction of 1 position. The reduction of 1 position reflects savings achieved through productivity improvements and lower average grade costs. The Bureau is requesting increased funding to expand the number of case studies necessary for further research, allow the Bureau to publish an adequate number of publications, hold conferences on the cooperative aspects of labor-management relations, and work with labor, management, government and scholars.

This appropriation covers the administration of a variety of employee protection programs and labor-management relations activities. The Bureau's overall strategies for FY 1987 will aim at supporting efforts to foster and promote cooperative labor-management relations. This funding level will permit us to continue most program activities at approximately 1986 levels.

These resources will be utilized to encourage and promote labor-management cooperation through information sharing, development of education and training materials, conferences and symposia, and a research program; to provide labor standards and other protections to employees affected by grants under the Urban Mass Tranportation Act, the Airline Deregulation Act, and other Federal assistance programs; and to assist the Secretary and other top Administration officials in carrying out their responsibilities in the labor-management relations area.

Thank you, Mr. Chairman for the opportunity to make this statement. I will be glad to respond to any questions you may have.

Biographical Sketch

STEPHEN I. SCHLOSSBERG

Deputy Under Secretary

Bureau of Labor-Management Relations
and Cooperative Programs

Stephen I. Schlossberg was appointed deputy under secretary of labor for labor-management relations by Secretary of Labor William E. Brock on May 20, 1985.

In this position, Schlossberg is responsible for efforts to assist employers and employees to participate in cooperative efforts to improve productivity, economic competitiveness, and the quality of working life. He also keeps department and other government officials abreast of significant developments in industrial relations and administers certain employment protections and benefits established by Federal law.

Schlossberg previously was a partner in the law firm of Zwerdling, Schlossberg, Leibig and Kahn. Before that, he was with the United Automobile Workers Union (UAW) from 1963-1981 serving as associate general counsel, general counsel, and director of government and public affairs.

Schlossberg was born in Roanoke, Va., on May 18, 1921. He attended the University of Virginia from 1938-1941 and served in the U.S. Army in Europe from 1941-1945.

After his discharge, Schlossberg was a department store manager from 1945-1949 and an organizer for the International Ladies Garment Workers Union (ILGWU) from 1949-1954. He then reentered the University of Virginia and received an LLB in 1957. He also holds a B.S. degree from that university.

Schlossberg was with the law firm of Van Arkel and Kaiser from 1957-1961. He then served as special assistant to the director of the Federal Mediation and Conciliation Service from 1961-1963.

Schlossberg is the author of Organizing and the Law as well as numerous journal articles and book reviews. He is a former adjunct professor of law at the Georgetown University Law Center.

He served on the President's Commission on Industrial Competitiveness and the President's Advisory Board on Ambassadorial Appointments. He is a former member of the board of the National Consumer's League, and the National Legal Aid and Defenders Association.

Schlossberg is married to the former Nancy Kamin. They have a daughter, Karen, and a son, Mark.

Mr. NATCHER. Thank you very much.
Mr. KASS. Mr. St. Cyr.

OFFICE OF LABOR-MANAGEMENT STANDARDS

Mr. ST. CYR. Thank you, Mr. Chairman.

It's a pleasure to see you again, and like Mr. Schlossberg, we have submitted our opening statement for the record, and I would like to just paraphrase briefly what's in that statement.

We are asking for $23.735 million and 440 FTEs for 1987, and that represents an increase of roughly $1.083 million over 1986, that increase being basically the difference between the 1986 estimate and the fiscal year 1987 request.

We've had a very good year in all aspects of enforcement, and we hope that you will have some questions so that we may have an opportunity to let you know how well we have done with the money you have given us in the past.

[The statement and biography of Mr. St. Cyr follows:]

Statement by Ronald J. St. Cyr
Acting Assistant Secretary
for Labor-Management Standards
Appropriations Subcommittee
Fiscal Year 1987 Budget Request

Labor-Management Services
Salaries and Expenses
February 1986

Mr. Chairman and members of the subcommittee, I appreciate this opportunity to appear before you as Acting Assistant Secretary for Labor-Management Standards to present the budget request for fiscal year 1987.

Our request is for $23,735,000 and 440 FTE and reflects a net decrease of 1 FTE and a net increase of $1,083,000. The request includes a funding and staff increase for audit and investigative activities, as well as a program decrease associated with the President's productivity improvement initiative.

The Office of Labor-Management Standards continues to be strongly committed to eliminating or preventing improper or corrupt practices by labor organizations and their officers and representatives and combatting those serious violations of the LMRDA which interfere with democratic processes within labor organizations.

During the past year, several changes were made to improve our overall operations. Specifically, a new Compliance Audit Program (CAP) Handbook was distributed to our field staff which includes numerous revisions to improve the program, particularly more detailed instructions. A review of the International Compliance Audit Program (I-CAP) was completed and a substantially revised I-CAP will be implemented nationally during FY 1986. In addition, the national office delinquent reports program was analyzed and a decision was made to return the program to the field offices because delinquent labor organization annual financial reports are a serious problem which requires more attention and enforcement emphasis. The new field program became operative during the latter part of FY 1985.

During FY 1986, new measures are being implemented which will improve case handling and review in the election program. We are reviewing the deficient reports program and new measures are being developed to improve compliance with the LMRDA. In addition, continued emphasis will be placed on obtaining proper compliance with the provisions of the LMRDA relating to employer/consultant reporting and improving overall liaison/compliance assistance activities. In this regard, we plan to hold approximately 75 seminars on LMRDA compliance assistance and have established ongoing contact with state labor officials.

During FY 1987, continuing emphasis will be placed on a well-balanced program of civil and criminal investigations, as well as financial audits. As mandated by law, the union officer election investigations and supervised elections will continue to receive priority attention. In addition, OLMS intends to enhance its efforts in achieving an effective liaison/compliance assistance program by establishing and maintaining regular contact with top

level international and national union officials. Other major objectives continue to include better control of operating costs, improved public services delivery, and emphasis on the President's management initiatives to streamline administrative support through management and organizational improvements.

Mr. Chairman, I thank you for the opportunity to present our program to the Subcommitte and I will be glad to respond to any questions you may have.

Biographical Sketch

Ronald J. St. Cyr

Acting Assistant Secretary for
Office of Labor-Management Standards
Department of Labor

Ronald J. St. Cyr was appointed Deputy Assistant Secretary for Labor-Management Relations by Secretary of Labor Raymond J. Donovan on May 22, 1981.

In March 1983, Mr. St. Cyr was named Acting Assistant Secretary for the Office of Labor-Management Standards and later was given the additional title of Acting Deputy Under Secretary for the Bureau of Labor-Management Relations and Cooperative Programs.

Mr. St. Cyr came to the Labor Department after 26 years with Kaiser Steel Corporation where he worked his way up through the ranks to become manager of industrial relations.

During his career with Kaiser, Mr. St. Cyr also served as superintendent of industrial relations, labor relations representative, safety representative, and held various other supervisory and union hourly positions. In addition, he also taught numerous evening college management courses.

Born in Warwick, R.I., on October 9, 1935, Mr. St. Cyr lived in Southern California most of his life.

Mr. St. Cyr received his Bachelor's Degree in Business Administration from California State University at Los Angeles in 1969 and his Master's in Business Administration from Pepperdine University in 1974.

A veteran of the U.S. Army, Mr. St. Cyr resides in the District of Columbia.

GRAMM-RUDMAN RESTORATION

Mr. NATCHER. Thank you very much.

Ms. Wyrsch, in the Department of Labor time after time, since we started the hearings on the Department, we have had requests presented to the committee where Gramm-Rudman has been restored in the 1987 budget, the sequestered amount for 1986.

Can you give us any idea as to how much you are restoring in the 1987 budget?

Ms. WYRSCH. Total Department? I would have to submit that for the record, Mr. Chairman.

[The information follows:]

GRAMM-RUDMAN RESTORATION

The Department of Labor is seeking restoration of $198.3 million of the total G-R-H sequestration of $362.6 million. The attached table displays by account what the sequestration was and how much we are seeking in restoration in FY 1987.

U.S. DEPARTMENT OF LABOR
BUDGET AUTHORITY AND TRUST FUND TRANSFER AUTHORITY BY APPROPRIATION
FY 1986 GRH SEQUESTRATIONS AND FY 1987 ADD-BACKS
($ in 000's)

	FY 1986 GRH Sequestration	FY 1987 ADD-BACKS
Current Authority Provided Through		
Appropriations Committees:		
Employment and Training Administration:		
Program Administration	($2,930)	$0
[Trust Fund Transfer]	(1,834)	0
Training and Employment Services	(149,853)	46,189
Comm. service Emp. for Older Americans	(13,998)	13,998
Fed. Unemp. Benefits and Allowances	0	0
St. Unemp. Ins. and Emp. Ser. Operations	(1,015)	0
[Trust Fund Transfer]	(105,618)	52,029
Adv. to the Unemp. Tr. Fund and Other Funds	(215)	0
Later Transmittal	0	0
Total, Employment and Training Administration	(168,011)	60,187
Later Transmittal	0	0
[Total, Trust Fund Transfer]	(107,452)	52,029
Labor Management Services - Salaries and Expenses	(2,463)	2,463
Pension Benefit Guaranty Corporation (Admin.)		
[Trust Fund Transfer]	(1,408)	1,408
Employment Standards Administration:		
Salaries and Expenses	(8,178)	8,178
[Trust Fund Transfer]	(17)	17
Special Benefits	(22,843)	22,843
Black Lung Disability Trust Fund	(6,618)	6,618
Later Transmittal	0	0
Total, Employment Standards Administration	(37,639)	37,639
Later Transmittal	0	0
[Total, Trust Fund Transfer]	(17)	17
Occupational Safety & Health Administration:		
Salaries and Expenses	(9,353)	9,071
Mine Safety and Health Administration:		
Salaries and Expenses	(6,522)	6,522

U.S. DEPARTMENT OF LABOR
BUDGET AUTHORITY AND TRUST FUND TRANSFER AUTHORITY BY APPROPRIATION
FY 1986 GRH SEQUESTRATIONS AND FY 1987 ADD-BACKS
($ in 000's)

	FY 1986 GRH Sequestration	FY 1987 ADD-BACKS
Bureau of Labor Statistics: Salaries and Expenses	(6,821)	6,036
[Trust Fund Transfer]	(1,561)	1,561
Departmental Management:		
Salaries and Expenses	(4,269)	4,269
[Trust Fund Transfer]	(11)	11
Office of the Inspector General	(1,654)	1,654
[Trust Fund Transfer]	(139)	139
Veterans Emp. Service [Trust Fund Trans]	(5,718)	5,718
Special Foreign Currency	(2)	2
Total, Departmental Management	(5,925)	5,925
[Total, Trust Fund Transfer]	(5,868)	5,868
Summary: Current Authority	(236,734)	127,843
Later Transmittal	0	0
[Trust Fund Transfer]	(116,306)	60,883
Permanent Authority Provided Through		
Legislative Committees:		
Employment and Training Administration:		
Gifts and Bequests	0	0
Unemployment Trust Fund	(9,493)	9,493
Later Transmittal	0	0
Total, Employment and Training Administration	(9,493)	9,493
Employment Standards Administration:		
Black Lung Disability Trust Fund	0	0
Special Worker's Compensation Expenses	(113)	113
Total, Employment Standards Administration	(113)	113
Summary: Permanent Authority	(9,606)	9,606
Later Transmittal	0	0
Total, Gross Budget Authority	(246,340)	137,449
Later Transmittal	0	0
[Trust Fund Transfer]	(116,306)	60,883
Interfund Transactions	0	0
Later Transmittal	0	0
Proprietary Receipts: State Interest on Loans	0	0
Proprietary Receipts: Miscellaneous	0	0
Total, Net Budget Authority	($246,340)	$137,449
[Net Trust Fund Transfer]	($116,306)	$60,883

Mr. NATCHER. Give us a good answer, because when we mark this bill up, you know, you set the example.

Ms. WYRSCH. The reason I have to submit that for the record, in the Training and Employment Services Account, we are not restoring Gramm-Rudman. In some minor areas in salaries and expenses and State operations accounts, there are adjustments which we will have to add together and be more specific for the record.

Mr. NATCHER. I read articles every day in the paper about Gramm-Rudman, but I don't see anything in there where they are restoring a lot of these amounts in the 1987 budget.

We have 13 appropriation bills. We have six that the President signed, and this is one of them. He signed ours in 1983, 1984, 1985, and we hope he will sign this one this year.

You are going to be surprised when you take your pencil and figure it up. You will be surprised as to the amount of money that you are asking us to restore.

You know what I am talking about. I am not just fussing at you. I don't disagree with what you are doing, but I would like to know how much you are putting back.

Ms. WYRSCH. We will do that.

AGENCY HEAD

Mr. NATCHER. Now, Mr. Kass, how long have you been the Assistant Secretary for Pension and Welfare Benefits Programs?

Mr. KASS. Since November 15.

Mr. NATCHER. Tell me a little bit about your background.

Mr. KASS. I was a Managing Director of Equitable Investment Management Corporation, a firm engaged in the management of pension assets, and my background has been in the investment field. In 1981 and 1982, I served as a Special Assistant to the President for Policy Development on the White House staff.

STATUS OF PENSION PROGRAM

Mr. NATCHER. Is your agency now a fully independent entity within the Department of Labor?

Mr. KASS. I don't know if I exactly take your meaning, sir. We are a separate agency. If you are asking the question, are we a separate account for budget purposes, the answer is no.

Mr. NATCHER. You are a part of the Department?

Mr. KASS. Yes, sir.

PENSION PROGRAM GOALS

Mr. NATCHER. What are your major goals in the pension and welfare benefit area in the coming year?

Mr. KASS. Our major goal, sir, is to do everything we can to assure that the rights of participants and beneficiaries are protected and secured, and that means a continued emphasis on our enforcement program, and at the same time, an interest in assuring that pension plans have the opportunity to invest for the benefit of participants and beneficiaries, in as wide a cross-section of the economy as possible.

And with that in view, we are intent on maintaining an approach to regulations that provides for flexibility, while assuring adequate safeguards for benefit protection.

IMPACT OF GRAMM-RUDMAN

Mr. NATCHER. You are requesting a 1987 budget for pension and welfare benefit programs of $33.636 million, an increase of $6.008 million over the 1986 revised level.

How much of that increase is simply to restore Gramm-Rudman cuts in 1986?

Mr. KASS. $1.241 million, sir.

Mr. NATCHER. Tell us what effect the Gramm-Rudman cuts would have on your agency in 1986.

Mr. KASS. We are anticipating a freeze in hiring in 1986, and we are anticipating reductions in all amounts that have been identified for contracts, to be reduced to minimum levels.

Mr. NATCHER. When you get the transcript back, take a look now and give us a little more detailed answer as to what Gramm-Rudman cuts would do to you.

Do you expect any staff furloughs in 1986?

Mr. KASS. No, we don't.

[The information follows:]

GRAMM-RUDMAN IMPACT

The FY 1986 Gramm-Rudman reduction decreases our direct enforcement staff by 13 FTE, with associated dollars, and has created an additional requirement to postpone the filling of vacancies in our enforcement and regulatory areas. As a result of not filling vacancies during FY 1986, productivity levels in FY 1987 will be considerably lower than planned. In addition, in light of the number of vacancies now to be filled in FY 1987 the proposed transfer of positions from the national office to the field may not be reasonable and therefore productivity will be further impaired. Therefore, a number of planned actions to improve the efficiency, effectiveness and credibility of our administration of ERISA, especially in the enforcement area, will suffer a major delay.

In addition, decreases in major contract areas relating to such functions as IRS reports processing and microfiching of Form 5500 series reports immediately impairs our ability to improve targeting and case selection and to maintain a viable public disclosure operation. Also, areas such as staff training will be reduced in a period in which maximizing our existing resources is absolutely essential. In the long term, the absence of sufficient contract funds will cause a more severe negative impact not only related to enforcement and public disclosure, but to our research and regulatory responsibilities as well.

GAO MANAGEMENT REPORT

Mr. NATCHER. The General Accounting Office, in its Management Report on the Department of Labor, said the following with respect to ERISA enforcement, and I quote:

"Long-standing problems in enforcing ERISA including, one, lack of consistent long-term strategy and management continuity; two, limited coverage of benefit plans due to a small investigations staff, relative to the number of plans to be monitored; three, inadequate staff training."

What is your response to this criticism, Mr. Kass?

Mr. KASS. Well, let me take those questions in turn. With respect to a lack of a long-term enforcement strategy, this has been a pronounced problem, and there has been a problem with lack of

follow-through in the priorities that have been identified for the enforcement program.

One of the things that we are undertaking presently is a revision of the compliance strategy document first drafted in 1978, and revised in 1979, and then fundamentally altered in 1983. This revision is going to take account both of the very real needs for vigilant enforcement of ERISA and the realities of budget constraints, 200 investigators to cover a plan universe of 900,000 pension plans, and 4.5 million welfare benefit plans. The answer lies in our ability to manage efficiently the resources we have, and to make better use of technology for the purpose particularly of targeting possible violations.

This is one of the reasons the President's budget includes $1.1 million for continued development of a comprehensive electronically driven ERISA data base. This will provide us with more timely information, and will provide it in a form that will enable us to make better use of it for research and enforcement purposes.

If you could remind me, sir, of the second and third parts of the criticism.

Mr. NATCHER. The second part, limited coverage of benefit plans.

Mr. KASS. Limited coverage, that is accurate. It is accurate to say that we have a small enforcement staff, and that there is a large universe of plans. The answer in part, as I mentioned in my response to the first criticism, is to make more intelligent decisions about how to use the resources we have.

One of the beneficial actions taken in the last couple of years has been a consolidation and restructuring of our enforcement operation in the field to provide for better control by the national office and better uniformity in the approach we take to conducting investigations. As I mentioned earlier, part of the answer will lie in leveraging those human resources with better technological support, and that is the reason for the ERISA data base request in 1987.

Concerning training, the Department has had a practice of supporting training for investigators in the field, and we are certainly trying to increase that commitment. In fact, we recently completed a fairly extensive basic training course for new investigators which will contribute to their effectiveness, productivity and morale. This will be a continuing commitment of ours, and the GAO is correct in identifying that as a major need.

DATA BASE SYSTEM

Mr. NATCHER.

You are requesting, I believe, $1.1 million to develop a comprehensive ERISA data base system.

I believe you have given us an answer to that. Are these all contract funds, Mr. Kass?

Mr. KASS. With respect to the $1.1 million?

Mr. NATCHER. Yes.

Mr. KASS. The entire $1.1 million will be contract funds.

Mr. NATCHER. How did you arrive at the figure of $1.1 million?

Mr. KASS. Estimates were developed in concert with outside contractors of continuing the work already begun in developing this system. Larger amounts could be required over time, of course.

So far, in connection with electronic filing, the monies have been expended for determining the feasibility of such a system, determining what the requirements of the various ERISA agencies would be in connection with the implementation of such a system, and examining various alternatives and the costs and benefits of those alternatives. That third phase of research is ongoing currently.

The aggregate amount of expenditure in connection with those three phases is $1,003,113.

Those are amounts already expended.

APPROPRIATION BILL LANGUAGE

Mr. NATCHER. Why is it necessary to request special appropriation bill language to permit these funds to remain available until expended?

Ms. WYRSCH. It has been the case with contractual monies for efforts such as this that oftentimes unforeseen circumstances delay the obligation of the monies, and in order to take that contingency into account, we have asked that the money for this special project be available until expended, just so we will not lose it, and have to come back and ask for additional resources.

PENSION INVESTIGATORS

Mr. NATCHER. How many pension investigators will you maintain in 1987?

Mr. KASS. We are expecting in 1987 to be able to restore the staffing level in the investigations area to a number of 231 FTE.

Mr. NATCHER. Right at that point, how many do you have now at the present time?

Mr. KASS. The number for 1987 is 231, Mr. Chairman.

Mr. NATCHER. 231. What do you have on board now?

Mr. KASS. 181.

Mr. NATCHER. That restores the Gramm-Rudman reduction?

Mr. KASS. Yes, the 231 restores the Gramm-Rudman reduction.

Mr. NATCHER. Why do you have such a turnover among your field investigators?

Mr. KASS. It has been largely attributable to the consolidation of the field operation which resulted in some attrition.

The reduction in the number of field offices from 25 to 15 resulted in part in some individuals who were offered an opportunity to move to other offices, and decided against making those moves, and this resulted in some attrition.

ERISA COVERAGE

Mr. NATCHER. How many pension and welfare plans are covered by ERISA?

Mr. KASS. This number is obviously a moving target, but the estimate currently is 900,000 pension plans, and 4.5 million welfare plans.

Mr. NATCHER. What percentage of those does the Department examine each year?

Mr. KASS. A very, very small fraction.

Mr. NATCHER. Are you able to maintain adequate compliance with the law with such a small penetration?

Mr. KASS. I think the evidence of abuse in the aggregate is fairly small, and I think we do the best we can to maintain a credible enforcement program to help promote voluntary compliance.

It is difficult to know what instances of violations we are unable to identify or investigate by virtue of the fact that we have a small enforcement operation and a large universe. There is only so much surveillance that can be done.

RELOCATION AND PERSONNEL BENEFIT COSTS

Mr. NATCHER. Why do you need an increase of $1.498 million for relocation and personnel benefit costs?

Mr. KASS. I would again, on that question, like to submit an answer for the record.

Mr. NATCHER. Tell us, if you would, in that answer, how many people will be moved, too, please.

Mr. KASS.

I will submit an answer for the record.

[The information follows:]

PROGRAM INCREASE

The requested increase of $1.498 million is based on FY 1985 experience. On its face, it may appear to be excessive because that experience represented 15.8% of the personnel compensation amount. However, more detailed analysis reveals that 12.7% represents funds required to pay such essential costs as the Federal Government share of retirement, life and health insurance, FICA, Medicare, and accident compensation. The other 3.1% relates to the financing of 11 PCS moves at approximately $50,000 each. We believe these funds are necessary because of the large number of current vacancies, which we cannot fill in FY 1986 but expect to staff in FY 1987, and the traditional pattern of movement among offices by our field staff.

OFFICE OF LABOR-MANAGEMENT STANDARDS

Mr. NATCHER. Mr. St. Cyr, you have been the Acting Assistant Secretary for the Office of Labor-Management Standards for about three years. Do you report directly to the Secretary?

Mr. ST. CYR. Yes.

Mr. NATCHER. Is your organization an independent entity within the Department?

Mr. ST. CYR. Yes, it is.

Mr. NATCHER. What are the major goals of your office for the next year? What do you have in mind?

Mr. ST. CYR. Well, our goals seem to be ongoing. The law almost identifies for us what our goals should be, and that is to safeguard the funds of the union members, to insure that the elections that they take part in are indeed mandates of the membership, fair, honest, democratic elections, and that there is an even-handed and vigorous approach to the enforcement of the law, as expected by Congress.

Those are basically our goals, and we have a lot of different programs in place to try and see that they come to fruition.

OLMS STAFF

Mr. NATCHER. You are requesting $23.735 million for your office in 1987, which is an increase of $1.083 million. How many staff will that support?

Mr. ST. CYR. That will support 440.

Mr. NATCHER. How many of these would be field investigators?

Mr. ST. CYR. We have 346 slots in the field as compared to 94 in the national office, or roughly a 3.5 to one ratio. Of the 346 field slots, 225 are investigator positions and 121 are manager/supervisory and clerical support positions.

GRAMM-RUDMAN IMPACT

Mr. NATCHER. What effect would the 1986 Gramm-Rudman reduction of $1.017 million, and eight full-time employees have on your organization?

Mr. ST. CYR. That money sequestered under Gramm-Rudman for 1986 breaks down as follows: $258,000 was taken from the Special Election Contingency Fund, $350,000 from our non-labor expense categories, and $409,000 in personnel costs.

We projected that that dollar reduction for fiscal year 1986 will equate to a full year staff reduction of approximately eight positions, and the impact of that reduction on our workload accomplishments would be reflected in the number of audits and investigations conducted during 1986.

Mr. NATCHER. Do you plan any staff furloughs in 1986?

Mr. ST. CYR. No, sir.

COMPLIANCE AUDIT PROGRAM

Mr. NATCHER. You evidently revised the compliance audit program last year. How was this done?

Mr. ST. CYR. Of the compliance audit program?

Mr. NATCHER. Yes.

Mr. ST. CYR. I would like to submit that for the record, Mr. Chairman. There are quite a number of things that we did. We had meetings both internally and externally to improve our compliance audit program, a series of meetings.

We made some vast revisions, and with all due respect, I would like to present that to you in a more in-depth manner than I can verbally.

Mr. NATCHER. All right.

[The information follows:]

IMPROVEMENTS IN COMPLIANCE AUDIT PROGRAM

Well before the issuance of the OIG report, it was anticipated that areas needing improvement would become evident after a period of operation. Therefore, when the Compliance Audit Program (CAP) was implemented nationwide in FY 81, a comprehensive future review and evaluation was planned. This comprehensive evaluation of the CAP, conducted in the summer of 1984, included statistical analyses, studies of closed CAP cases, and most importantly, considerable input and comments from OLMS investigators and field managers who completed a detailed evaluation questionnaire about all aspects of the program.

As a result of this review, a new CAP handbook has been prepared which includes numerous revisions to improve the program, particularly more detailed instructions. A comprehensive 98 page Embezzlement Audit Guide has been published for the

guidance of OLM investigators when they are conducting compliance audits and embezzlement cases, many of which are fallout cases resulting from leads developed during CAP cases. In addition, CAP training has and will continue to be emphasized with separate courses for new investigators who need to be introduced to all aspects of the program and "refresher" training for experienced investigators.

OLMS recently implemented a refined computer-generated system of referring potential CAP targets to its field offices based on an analysis of LM-2 and LM-3 annual financial reports filed by labor organizations. OLMS is also integrating a new delinquent reports case referral system with CAP targeting, since some reporting delinquencies, based on past experience, may be indicators of problems involving the unauthorized use of union funds.

Additional targeting concepts have been developed which will permit CAP resources to be directed with greater precision in FY 87 at labor organizations where there are more likely to be violations of the LMRDA. In this regard, OLMS staff members also have been working with an OIG statistical expert to develop a computerized statistical model to assist in targeting.

We believe CAP has met its stated objectives and will continue to be an effective enforcement tool. The steps OLMS has taken to improve the program should result in (1) additional embezzlement fall-out cases with a corresponding increase in the number of embezzlement convictions (2) the correction of numerous LMRDA civil violations (bonding, deficient reports, etc.) primarily through voluntary compliance by the unions invclved, and (3) increased levels of compliance with the civil and criminal provisions of the LMRDA in the future, resulting from a strong emphasis on compliance assistance and liaison with the labor organizations slated for compliance audits.

SPECIAL ELECTION FUND

Mr. NATCHER. How much are you budgeting for the Special Election Fund in 1987?

Mr. ST. CYR. $606,000.

SPACE RENTAL

Mr. NATCHER. For this appropriation account as a whole, you are seeking an increase of $1.505 million for space rental, or about 52 percent

Why the large increase?

Mr. ST. CYR. Go ahead, Mary Ann.

Ms. WYRSCH. We have had this space question several times. We have had a lifting of the GSA freeze on space costs, so there is quite a dramatic increase in space costs across all salaries and expenses accounts.

In most cases, and I am sure in LMS, there is no increase in actual utilization of space, but in cost to us per square foot.

Mr. NATCHER. Why is most of the increase shown as a program increase on page 4?

Ms. WYRSCH. This display was mandated to us by some theories of pricing by the Office of Management and Budget, and succinctly OMB gives us some guidelines for the amount of space, or the amount of increase that should occur in space costs.

It comes to us from the economic indicators. When our actual space costs exceed that amount, we are compelled to show that as a program increase, so you will see we have divided up our increases between mandatories, and a program increase which is the remainder.

PRODUCTIVITY IMPROVEMENTS

Mr. NATCHER. On page five of the justification, you show a reduction of $1.052 million, and 10 full-time employees, for productivity improvements.

What do you mean by this reduction?

Ms. WYRSCH. Nine of those are in the Labor-Management Standards Program. One is in the Bureau of Cooperative Labor-Management Programs.

Mr. SCHLOSSBERG. Well, I have to answer first in general, Mr. Chairman, if I may? I have only been at the Department of Labor since May of this year. I am very happy to be there.

One of the things I found when I came was a work force that showed as much motivation and talent and ability as any work force I had ever seen in my whole life, and I was terribly impressed with the clericals and the professionals in our little Bureau.

I believe that we are able to show a one-FTE productivity increase, because of hard work.

BLMRCP'S BUDGET REQUEST

Mr. NATCHER. You are requesting $4.904 million for the Bureau of Labor-Management Relations. Do you have any program increases here, or is this simply another restoration now of Gramm-Rudman?

Mr. SCHLOSSBERG. Well, it is a restoration of Gramm-Rudman, but it is a program restoration in the sense that we would like to do all the case studies that we think would be useful to us and to future generations, on what is going on in the industrial relations field.

We would like to study cases like the labor-management cooperation that we see in Kentucky between Phillip Morris and the tobacco workers that has increased productivity, efficiency and quality, and has increased the quality of the working life of the people who work in Phillip Morris in Kentucky.

I use that as an example. We are interested in holding conferences across the country, 30 or 35, and we had to cut some because of Gramm-Rudman, so the program is what is cut rather than people put on the street.

We would like to restore those programs that were cut; research, conferences and that sort of thing.

LABOR RELATIONS RESEARCH

Mr. NATCHER. How much are you budgeting for research in 1987?

Mr. SCHLOSSBERG. May I submit that for the record?

Mr. NATCHER. In submitting the amount, also tell us what your plans are, as far as conducting research generally with this money.

[The information follows:]

RESEARCH

We budgeted $250,000 for research in FY 1987. While the specific study for which this sum will be used has not yet been decided upon and will not be until late Spring 1986 when the Bureau's annual research workplan is developed, it would fall within these general areas that constitute the Bureau's present research priorities: labor-management cooperation, technological change, potential legal impediments to

labor-management cooperation, on the transition in industrial relations. These are all areas where the funds could be used effectively to understand and promote non-adversarial labor-managerial strategies.

LABOR RELATIONS CONFERENCES

Mr. NATCHER. We see that in 1985 the Bureau conducted 35 conferences and symposia. What were the main results of those conferences?

Mr. SCHLOSSBERG. I just came from one in the City of Tampa, Florida, and I can't tell you how impressed I was with what went on there.

Mr. NATCHER. How was the weather?

Mr. SCHLOSSBERG. It was lovely, except for the morning I left, and I caught a terrible cold.

The people hear speeches, participate in workshops and see how others are doing things, how workers and managers and others can all benefit from the strategy of participation, but the people get to know each other, the government people, the academics, managers and the workers, and the workers' representatives. They get to know each other and develop a rapport that carries over from the conference and enables them to do a great many things.

It brings people together and starts communication between people.

Mr. NATCHER. Can you give us some idea of how much you spent along this line in 1985?

Mr. SCHLOSSBERG. I have to look at it, Mr. Chairman. I will submit that for the record.

Mr. NATCHER. All right.

[The information follows:]

CONFERENCES

During 1985 $520,000 was spent for conferences and symposia.

PLANT CLOSINGS

Mr. NATCHER. What involvement does the Bureau have with plant closings and displaced workers?

Mr. SCHLOSSBERG. Quite a lot. We are very proud of the work we do there. We have been concerned with the problem of displaced workers.

In the case of AT&T and the communications workers in the IBEW, there was a reduction of some 25,000 people in the work force, which affected communities from east to west, north to south, and even though there is nothing in the statute that suggested that we do this, we invited the parties in by writing to the AT&T Information Systems Chairman, the President of the Communications Workers Union, and the President of the Electrical Workers Union.

And we have had a total of seven or eight meetings in Washington, one at the George Meany Center, the rest at the Labor Department, and we have developed real cooperation between or among the following parties:

The unions, employers, laid-off and dislocated workers, State officials and the ETA officials who have funds and can help these people with projects under JTPA.

We have had a plant closing workshop in Mr. Conte's District this year, I believe, in Massachusetts. We have worked very closely with the Electrolux Company, which had a non-union plant that closed in Connecticut, and we have worked with the rubber workers and others, and we have going now two very exciting projects.

We have a project going, which is a demonstration project with the Governors' organization, the Association of Governors, Secretary Brock and Governor Lamar Alexander. They have sent out letters to the States, asking if they will come to a workshop, and asking if they would like to be selected as part of a demonstration project, to try the methods used in Canada, long notice, good notice for people, so they know what will happen, cooperative use of the resources that management and labor themselves and the community have to outplace these people and to get them employed and soften the blows affecting people and communities that come with these economic decisions. There is also a third-party set-up provided where, if there develops a stalemate, one can look for guidance, and we expect to have that project done not within this calendar year, but within this fiscal year, and the results of that survey—the enthusiasm from the Governors has been so genuine and so massive that we have had to find another $25,000 to have a second workshop to allow the States to participate in it—will be made available to the Secretary's Plant Closing Task Force.

We are getting, free, in that workshop, participation and help from the Canadian officials who have done this work. This is one of the very exciting projects we have in process.

We are continuing to work in joint ventures with employers, unions and with States to try to improve the quality of the plant closings in the sense that we lessen the deleterious effects on human beings.

Mr. NATCHER. Thank you very much.

Mr. Conte?

AGENCY COORDINATION

Mr. CONTE. This is quite a troika here today before us.

Mr. St. Cyr, as the chairman would say, you have been before us one or two times before. I am pleased also to see Steve Schlossberg, who comes to the Department from a long career in labor, and who is working to open, and maybe reopen, lines of communication between the Department and the labor community under Secretary Brock.

And this is also the first appearance for Dennis Kass, now Assistant Secretary of the newly-renamed and upgraded Pension and Welfare Benefit Administration. Welcome.

Mr. KASS. Thank you, sir.

Mr. CONTE. Is this appearance by the three of you merely a marriage of convenience, or does there remain anything uniting the three independently reporting Bureaus and Administrations you head?

Mr. KASS. We are good friends.

Mr. SCHLOSSBERG. We are very good friends, and we are all in the business of dealing with labor and management on these kinds of matters, whether they be pensions or whatever.

DISPLACED WORKERS/PLANT CLOSINGS

Mr. CONTE. A couple of times, Mr. Schlossberg, you refer in the justification to the displaced worker-plant closings program as a discreet entity. Would you describe this program, and indicate what resources your Bureau is dedicating to this program?

Mr. SCHLOSSBERG. We have a wonderful person named Bill Batt, and he is even older than I am. He brings to the Department the energy and enthusiasm of a 20-year-old, and the experience of a 68-year-old.

He is a genius at this business, and he has formed an ad hoc group consisting of himself and a woman named Leona Sibelman, and a young man named Jeff Salzman, along with two or three other people, with additional responsibilities in the Bureau. We have about seven or eight professionals not counting clericals, seven or eight people who work pretty much full-time on this.

And we are able, through collegial relations with the Employment and Training Administration, to get some help from them, and on occasion, we get some help from folks like the ERISA people. We had a meeting with some airline flight attndants, and when they had some pension problems, David Walker, Deputy to Dennis Kass, came with us and helped us a great deal.

We always get help from the LMS people, and we are suite mates with them, and it is a fine relationship, I should say. We have managed to pick up some people from around the Department who are helping us.

We are helping to staff the Secretary's Task Force on Plant Closings. We have three people who are working on that part-time, and we have a man who has now taken over as the executive staff member of that thing, who was a person in international labor, and has wide experience, a good deal of wisdom, and who is able to devote full-time to that on lend-lease, from the International Labor Affairs Department, so there has been a good meld of people.

And we have been able to get wonderful cooperation from people like the States, some States better than others. We haven't had such good luck in Louisiana, for some strange reason, but we have tried.

We have had wonderful success in Colorado, and we have had success across the country. It is spotty, but we work closely with academicians and with management and labor themselves, and the HRDI people from the AFL-CIO, who do operate on a Labor Department grant from ETA, but who are interested and committed to the same kind of thing which we are, and that is, of course, the making of these economic decisions.

PLANT CLOSING TASK FORCE

Mr. CONTE. You recently spoke before the second meeting of the Secretary's Plant Closing Task Force. Of course, we would have liked to see you in charge of the entire effort.

What do you see as the role of the Task Force, and how do you see it fitting into the program that you run?

Mr. SCHLOSSBERG. I see us as auxiliary to the Task Force, and that is kind of an advisory committee role, an outsider taking a look and advising the Secretary on this difficult and challenging problem.

I must compliment the Secretary on the appointments he made to the Task Force. I think the Task Force—the management and the labor people, as well as the academicians—represents a rare cross-section of people who really care about this thing, and who are qualified to deal with it.

Mac Lovell, former Under Secretary of Labor, a dear friend of mine who is the kind of guiding light for the group, and I believe it will come out with sound recommendations.

How it fits with us is that Bill Batt wouldn't miss one of those things if his life depended on it, and my Executive Assistant is at every one of those things, and we staff it with people who try to be helpful and who try to answer questions when they come up. And the other thing is that we plan to tie in very closely with this demonstration project I told you about, to try what they have done so successfully in Canada.

And when we have a northeast, midwestern and southeastern, and a resultant actual hands-on operation in various parts of the country, we will bring that back to the Task Force and say, this is what happened, and the fact that we have the Governors working with us gives us another chance to get some contributions from outside.

Secretary Brock, I am sure, like other good government officials, he wants whatever help he can get from the outside.

We are trying to help the Task Force in any way we can.

BLMRCP CONTRIBUTIONS

Mr. CONTE. That is good.

Given your time on the job, as well as your previous experience, what contributions would you say the Department, through the Labor-Management Relations Bureau, is making to the relationship between labor and management, and to the fostering of our economy in the competitive international environment?

Mr. SCHLOSSBERG. With all due modesty, I can say that I think we are making a remarkable contribution. We work with—it is not because of me, Mr. Chairman, so I don't have to have any false modesty—and before you came in, I said, when I came to this Department I was amazed and thrilled at the quality of the professionals and the clerical people in this small Bureau.

With under 70 people, they do things that are startling to me, and I can't tell you how enthusiastic about them I am. I am their best salesman. They are making a major contribution.

We enjoy a close relationship with the Federal Mediation/Conciliation Service, and they have time to help us in the field, and we are going to be doing some things in the next year because the number of strikes, for instance, in plants of over 1,000 or more, fell from over 400 in the seventies to like 46, 47, maybe 50 in 1985, so there has been a tremendous fall off in big strikes.

And that frees up some of those folks who are in the field and can work with us.

The credit must go to the people outside, Al Warren, Vice President of General Motors in charge of labor relations, we can get Al to go anywhere we want him to go, all we have to do is ask him to go and carry the message and his compatriot, Don Ephlin of the UAW is ready to go at a moment's notice. They are willing to go to Tampa, and they will brainstorm.

We have been to NUMMI, the joint venture between Toyota, General Motors and UAW, on the West Coast, where the labor relations were the worst in the whole system, absenteeism has dropped from 17 percent to like less than 2 percent, where thousands of grievances existed and wildcat strikes were held almost monthly.

Now you find a team operation going on, pride and workmanship, an egalitarian mode of operation, and a flattening out of the organization. This is an enterprise where everybody is proud of the product.

If we can take that message through our own people, through the whole country, I think we are doing a pretty good job.

Mr. CONTE. I have other questions. I will submit them for the record.

Mr. NATCHER. Gentlemen, thank you for your appearance before the committee today. This has been a good hearing. Thank you very much.

The committee will now adjourn until 2:00, Monday.

The following questions were submitted to be answered for the record:]

BLMRCP RESOURCES

Mr. Conte: At about $4.9 million and 68 FTE's would you say the resources at your disposal are in the ball park, way to high or too low?

Mr. Schlossberg: The Bureau's budget request of $4.9 million and 68 FTE's represents resources which are essential to the conduct of an effective program designed to improve productivity and the competitiveness of American industry by encouraging voluntary labor-management cooperative efforts.

In our view this resource level is adequate to the support of these efforts. We do recognize that in the current fiscal environment we need to make every effort to use these resources wisely and obtain the highest degree of quality on all aspects of our program.

PENSION PROGRAM IMPROVEMENTS

Mr. Conte: With regard to the Pension and Welfare Benefits Administration, as I recall, there was quite a bit of Congressional attention focused on the Pension office last year, which made it seem as if the office was really overwhelmed by its responsibilities in managing over $1 trillion in pension assets. Is that a fair recollection? and, What responses has the Department made to the things that were brought to light during that oversight?

Mr. Kass: In the past few years, the PWBA program has been the subject of internal and external inquiries and reports, by the Subcommittee on Government Management of the Senate Government Operations Committee, National Pension Forum, the General Accounting Office and the Department's Office of the Inspector General. In each instance various aspects of the Department's efforts in the ERISA area were criticized.

Partially in response to the results of such inquiries and given the resources provided to PWBA, we have taken steps to create an organizational structure and establish policy guidance that most effectively uses these resources to accomplish enforcement responsibility.

In FY 1985, the management structure of the enforcement program was realigned: (1) field offices were consolidated from twenty-five offices to fifteen offices; and (2) an investigations unit was created in the National Office to conduct certain specialized investigations of pension and welfare plan abuses with nationwide or critical policy implications, such as the use of employee benefit plans in corporate takeover transactions.

In FY 1986 the Pension and Welfare Benefits Administration is undertaking a complete review of its enforcement strategy to provide better direction and to establish improved management controls for monitoring compliance activities. This corresponds to the major PWBA-related recommendation of a recent General Accounting Office management review of the Department. The initiatives established through the enforcement strategy will provide strong leadership to the ERISA enforcement program.

PENSION PLAN CONTACT

Mr. Conte: How much contact does the average company with a pension plan have with the administration -- is it the filing of an annual report?

Mr. Kass: In addition to the general requirement that every plan file an annual report, there are other points of contact between companies with pension plans and the Administration, including the filing of Summary Plan Descriptions and other required reports. Some plans are subject to audits and investigations by the Department of Labor. Individual exemptions or advisory opinions may be requested on behalf of plans, and plans may also be affected by regulations and class exemptions. In addition, the Department reviews the documents plans submitted, and plan officials may be contacted if information is missing or deficiencies are noted. Plans annually apply to the Government for tax exempt status and are subject to IRS audits regarding funding, participation and vesting standards enforced by the IRS. Each defined benefit plan must pay annual per capita premiums to the Pension Benefit Guaranty Corporation (PBGC Form 1) and provide information regarding certain reportable events.

PENSION PLAN USER FEES

Mr. Conte: Do pension plans pay any user fee for the services and oversight of the Pension and Welfare Benefits Administration?

Mr. Kass: Congress did not impose such fees when ERISA was enacted in 1974 and none are currently used.

Mr. Conte: Wouldn't that be a way to finance a much larger ERISA operation on the model of the Pension Benefit Guaranty Corporation? Just charge a small percentage of pension assets per year along with the filing of an annual report?

Mr. Kass: In contrast to an agency such as the Pension Benefit Guaranty Corporation, which functions as an insurance program, the Pension and Welfare Benefits Administration is a regulatory and enforcement agency. Given our role and function, it would not seem appropriate to charge a "user" fee since reports such as the 5500 are required to be filed by law. Additionally, in the absence of specific statutory authority to impose such fees, there may well be legal obstacles to implementing them.

PENSION TERMINATIONS

Mr. Conte: The very size of pension assets, I take it, is providing encouragement of takeovers, as surplus assets in pension plans are seen as a target of easy cash. What is your view of the current situation, which allows companies to reach into pension plans and withdraw surplus assets, often times putting retirees on annuities and eliminating cost of living adjustments in the process? Is this something companies should be able to do, or is more protection for the employees covered by the pension plans required?

Mr. Kass: Over the past several years, pension plans have experienced unprecedented growth, partly due to very strong stockmarket performance. At the same time, interest rates have been very high by historical standards. These factors have combined to generate large amounts of excess assets in defined benefit plans. From 1980 through 1986, $11 billion in excess assets were reverted to plan sponsors. In 1985, however, approximately $1 trillion was held by defined benefit plans, meaning that only approximately one percent of all pension assets in defined benefit plans have been withdrawn over the period.

The Departments of Labor and Treasury and PBGC issued Guidelines in May 1984 to deal with this issue. The Guidelines are designed to encourage firms from either setting up no new plan or a defined contribution plan, either of which can impose significant capital losses on workers. The Guidelines seem to be working pretty well. Eighty percent of all reversions are affiliated with firms that reestablish defined benefit plans that award past service credit. This means that workers losses in those plans are virtually zero.

While retirees are annuitized under current termination procedure, this does not mean that retirees will not get further COLA adjustments. There is no technical barrier to any firm awarding cost of living increases to annuitized retirees.

While we believe that the Guidelines are working pretty well, this does not mean that we are not interested in studying other ways that might offer even more protection to workers, without discouraging the voluntary creation and maintenance of the current scheme. Toward this end the Secretary of Labor through the ERISA Advisory Council set up a termination task force comprised of private sector experts to study the problem and make recommendations to the Council. The Department is also engaged in a new study of the impact of terminations on workers. Both of these activities are expected to be completed by April 30, 1986. At this time, we intend to study the results and recommendations to determine if some new action in this area is warranted and feasible.

RETIREMENT INCOME

Mr. Conte: I take it that as more and more of employees currently enrolled in pension plans reach retirement age, the number of retirees receiving pensions will increase. Are pensions going to overtake social security in importance as a source of retirement income, and how rapidly are pensions growing as a source of retirement income?

Mr. Kass: Over the past several years the percentage of retirees receiving private pensions has increased at a significantly faster rate than the percentage of social security recipients. For example, one study has found that the percentage of all couples and unmarried individuals aged 65 and over receiving private pension increased from 9 to 21 percent from 1962 to 1980, compared to an increase from 69 to 90 percent in the social security recipients over the same period. (Melinda Upp, "Relative Importance of Various Income Sources of the Aged", Social Security Bulletin, January, 1983, P.9.)

The higher growth rate of private pension recipients results from both the maturing of the private pension system and the minimum vesting and participation standards imposed by ERISA, which significantly increased the percentage of covered workers becoming eligible for benefits.

There are indications that the rate of growth in private pension beneficiaries should level off in future years. Over the past 15 years the coverage rate of private full-time wage and salary workers has remained fairly constant at about 50 percent. This effectively limits the percentage of all workers who will ultimately become eligible for benefits.

No recent comprehensive data are available on the rate of growth of private pensions as a source of retirement income. Available data indicate that initial receipt of benefits from defined benefit plans has increased at about the same rate as the CPI in recent years. Such benefits replace about 25 percent of preretirement annual earnings. While little data are available on the amount of benefits provided by defined contribution plans, these plans have increased rapidly in recent years and now cover about one-third of all workers covered by a basic defined benefit plan. This rapid growth of defined contribution plans should increase the relative importance of benefits provided by these plans, both as a percentage of total private pension income and of total retirement income.

COORDINATION OF PENSION WITH SOCIAL SECURITY

Mr. Conte: Do you think it is ever going to make sense to try to coordinate in some way the benefits of the pension system with social security benefits, at least when it comes to the issue of assuring a minimum level of retirement income to survive on?

Mr. Kass: Current tax law allows tax qualified pension plans to "integrate" their benefit payments levels with social security benefits. Amounts that would be received due to social security may be offset or otherwise accounted for in the calculation of final pension benefit levels. About half of all defined benefit pension plans are "integrated" with social security.

SEVERANCE BENEFITS

Mr. Conte: I saw an article a while back which mentioned that some Federal courts have been ruling that ERISA pre-empts state laws designed to assure the payment of severance pay, making it much harder for employees to try to collect from companies that back out on the payment of severance benefits. Has PWBA enhanced its activities in this area at all in response to these court rulings?

Mr. Kass: The Department maintains an active program to provide participants with technical assistance concerning benefits which participants have been unable to obtain through their own efforts. In fiscal year 1985, over 2.5 million dollars was received by over 1,000 participants as a result of this program. As a part of this program, the Department does provide technical assistance concerning problems dealing with severance pay plans. As an example, very recently the Department assisted a participant in obtaining severance pay from an employer who had previously refused to make such payment to the participant.

BUILDUP OF OLMS

Mr. Conte: It seems like the Labor-Management Standards Office has undergone a pattern not unlike the Defense Department, with a rapid build up in the past succeeding years, with a turn-around and now possibly even a decline in FTE's. The budget would have you go from 464 FTE's in FY 1985 to 441 FTE in FY 1986 post Gramm-Rudman to 440 in the request for FY 1987. What happened to the effort to build up Labor-Management Standards to fulfill responsibilities for enforcement of fiscal honesty under the Landrum-Griffin Act and the Labor-Management Reporting and Disclosure Act?

Mr. St. Cyr: The staff increases for the Office of Labor-Management Standards (OLMS) during fiscal years 1983 through 1985 and the emphasis on criminal investigative activity has its roots in an investigation conducted by the Senate Permanent Subcommittee on Investigations in 1978, which recommended that the Secretary of Labor determine the additional resources needed to effectively enforce the criminal provisions of the LMRDA and that DOL increase the number of on-site field audits of labor organizations. At the Secretary's request and pursuant to the Subcommittee's recommendations, Congress approved 93 additional positions for OLMS on the condition they would be channeled directly into embezzlement investigations and audits.

The reductions reflected during fiscal years 1986 and 1987 are a result of savings achieved in administrative costs and in our efforts to increase productivity through improved efficiency of operations. Our workload estimates for this period do not reflect a decrease in output as a result of the decrease in staff. The reductions have all been taken in the National Office and, therefore, do not impact on the number of field investigators available to handle our enforcement responsibilities.

OLMS has attempted to develop an enforcement strategy that reflects public and congressional concerns. The agency has invested considerable time, resources and effort since 1980 to develop our criminal enforcement program and as our statistical results indicate, these investments are paying off. OLMS has developed a comprehensive foundation -- successful audit/investigative programs, staff expertise through emphasis on training, working relationships with the Department of Justice, knowledge of union operations and field organization structure, communication with the labor movement -- which ensures an effective criminal enforcement program.

Mr. Conte: What progress have you made in monitoring abuses and collection of reports from management and consultants hired to counter union organizing?

Mr. St. Cyr: In order to help ensure proper reporting under the provision of the LMRDA by employers and consultants, OLMS established a high level task force in FY 1985 to complete an employer/consultant report cross-checking project in which the filing dates and contents of employer reports (LM-10) and consultant reports (LM-20 and LM-21) from 1980 to date were compared to identify delinquent and deficient reports. The objectives of this task force, which have been substantially met, were to: (1) obtain proper compliance from all employers and labor relations consultants who are delinquent and/or deficient in filing the reports required by the provisions of Title II of the LMRDA; (2) complete and publish an employer/consultant reporting register for use by the OLMS staff and the public; (3) prepare complete and uniform OLMS employer/consultant disclosure files for use in the National and field offices; and (4) develop an ongoing system of cross checking these reports to ensure future compliance.

Cross-check and other activities performed by the task force through the first quarter of FY 1986 are summarized as follows:

-- 336 Employer Report (LM-10) Files have been cross-checked.

-- 82 Consultant Report (LM-20, LM-21) Files have been cross-checked.

-- 575 Delinquency and Deficiency Letters have been sent to employers and consultants.

-- 54 Referral Memoranda have been sent to OLMS Field Offices.

-- 459 Reports were received following issuance of task force demand letters (includes 41 new filers).

-- 79 delinquency referrals were forwarded to OLMS field offices for action as appropriate.

Mr. Conte: In your justification, I noticed a projected large increase in three areas in FY 1987, delinquent report investigations, constitutions analyzed, and interpretations and policy rulings. What does this large increase in workload in these three areas portend?

Mr. St. Cyr: The Office of Labor Management Standards (OLMS) projected workload increases in FY 1987 for the areas of delinquent report investigations, and interpretations and policy rulings are attributable to revisions in Agency Operating procedures; while the FY 1987 workload increase projected for constitutions analyzed reflects the implementation of productivity improvement measures and the restoration of resources to this function that have been diverted in FY 1986 to meet the requirements of several high-priority Agency initiatives.

Delinquent Report Investigations: Obtaining voluntary compliance in regard to the reporting requirements in Title II of the Labor-Management Reporting and Disclosure Act of 1959, as amended (LMRDA) and the regulations implementing the Civil Service Reform Act of 1978 (CSRA) is an important OLMS objective. OLMS mails blank financial forms (LM-2 or LM-3) to about 48,000 labor organizations annually to encourage compliance, and field offices conduct reporting clinics and seminars for union officers and routinely respond to requests for information.

Despite these effors, over 18,000 organizations have historically failed to file their annual financial reports after the statutory 90-day period. For this reason, OLMS needs an effective delinquency program in order to carry out its mandated responsibilities. The legislative history of the LMRDA reflects that the financial reporting provisions of Section 201(b) are considered to be the crux of the LMRDA. These requirements ensure that union members have all the information necessary for them to take effective action in regulating the affairs of their union, either through the union's voluntary compliance with the requirements or through investigation and enforcement by the Secretary of Labor. The reporting requirements also have the remedial effect of deterring financial abuses by subjecting union financial and other practices to public scrutiny.

In FY 1985, the OLMS National Office delinquent reports program was analyzed and a decision made to return enforcement of the program to the field because delinquent labor organization annual financial reports are a serious problem which requires more attention and enforcement emphasis. By transferring this program to the field offices, OLMS recognizes that investigators close to the delinquent organizations are in a better position to more effectively obtain reporting compliance. The new program, which became operative in July

1985, established uniform guidelines and a standard Agency-wide system to ensure proper delinquency case handling procedures that will enable OLMS to affect substantive compliance with the reporting provisions of the LMRDA. In addition to delinquency follow-up, the new program emphasizes voluntary compliance through contacts with international union officials to promote prompt and accurate reporting.

Interpretation and Policy Rulings: The projected FY 1987 increase in the number of interpretations and policy rulings is based on a revision of the workload tracking system for the Division of Interpretations and Standards which captures all internal and external oral interpretations and policy rulings provided in addition to those issued in written form. The FY 1985 actual total of interpretations and policy rulings reflected only those issued in written form.

Constitutions Analyzed: With respect to the projected number of constitutions analyzed, the FY 1986 and FY 1987 estimates were based on the acquired expertise and anticipated increased productivity of Division of Election Assistance (DEA) staff members in their efforts to assist union officers in developing and implementing union administrative and officer election provisions that are consistent with the provisions of the law. However, the actual workload accomplishment for this area in FY 1986 will be considerably less due to the detail of DEA staff members whose expertise was required throughout much of the expended fiscal year to serve full-time on a task force cross-checking employer/consultant reports filed pursuant to Section 203 of the LMRDA to determine delinquent and deficient filers. Additionally, DEA staff members are in the process of preparing an extensive supplement of the OLMS Elections and Trusteeship Case Digest for printing, which will further reduce the number of constitutions analyze during FY 1986.

LABOR-MANAGEMENT SERVICES

SALARIES AND EXPENSES

	Page No.
Appropriation language	1
Amounts available for obligation	2
Summary of changes	3
Budget Authority by activity	6
Budget Authority by object	7
Significant items in 1986 House and Senate Appropriations Committees Reports	8
Authorizing legislation	8
Appropriation history	9
Justification:	
Appropriation	10
Activities:	
Labor-management relations and cooperative programs	11
Labor-management standards	18
Pension and welfare benefits administration	23
Advisory and assistance services	31
Detail of permanent positions	32

LABOR-MANAGEMENT

SALARIES AND EXPENSES

For necessary expenses for La ' -Management Services, ~~$57,505,000~~ *$62,275,000*, of which $1,100,000 shall remain available until expended for a pension plan data base. 1/ (18 U.S.C. 664, 1027, 1954; 29 U.S.C. 301-401, 1001-1144; 50 U.S.C. App. 459; Department of Labor Appropriation Act, 1986.)

1/ Because of the time required to complete analyses begun in 1986 as to the need and alternatives for and the impact of a revised pension plan data base, the amount needed is requested to remain available until expended.

LMS-2

AMOUNTS AVAILABLE FOR OBLIGATION

	1985		1986		1987	
	FTE	Amount	FTE	Amount	FTE	Amount
Appropriation.....	1,054	$60,211,000	1,010	$57,505,000	1,000	$62,275,000
Sequestered under P.L. 99-177.....	--	--	-21	-2,463,000	--	--
A. Revised appropriation.....	1,054	$60,211,000	989	$55,042,000	1,000	$62,275,000
Comparative Transfer to:						
Assistant Secretary for Administration and Management.....	-4	-180,000				
Working Capital Fund.	-25					
Comparative Transfer from:						
Assistant Secretary for Administration and Management.....		+20,000		+20,000		
Subtotal, Appropriation (adjusted).....	1,025	$60,051,000	989	$55,062,000	1,000	$62,275,000
Unobligated balance lapsing due to Section 515 withholdings 1/.....		--	--	-231,000	--	
B. Total Available Budget Authority.....	1,025	$60,051,000	989	$54,831,000	1,000	$62,275,000

1/ Withheld from obligation pursuant to Section 515 of the Treasury, Postal Service, and General Government Appropriations Act as referenced in the full year Continuing Resolution for 1986, P.L. 99-190.

LMS-3

LABOR-MANAGEMENT SERVICES
SUMMARY OF CHANGES

	1986	1987	Net Change
Budget Authority:			
General Funds	$ 54,831,000	$ 62,275,000	$ 7,444,000
Total	$ 54,831,000	$ 62,275,000	$ 7,444,000
Full-Time Equivalent			
General Funds	989	1,000	+11
Total	989	1,000	+11

Explanation of Change:

Increases

	General Funds Pos.	General Funds Amounts
A. Built-In:		
Net cost of within-grade increases becoming effective in 1987.....	--	+503
To provide for increased cost of personnel benefits.....	--	+69
To provide for increased cost of travel.....	--	+72
To provide for increased cost of transportation.....	--	+3
To provide for increased cost of GSA standard level user charges.....	--	+125
To provide for increased cost of rent, communications, and utilities....	--	+67
To provide for increased cost of printing.....	--	+13
To provide for increased cost of administrative and support services....	--	+143
To provide for increased cost of miscellaneous contracts.....	--	+205
To provide for increased cost of supplies.....	--	+9
To provide for increased cost of equipment.....	--	+10
Subtotal.....	--	+1,219
B. Program:		
To provide the Bureau of Labor Management Relations and Cooperative Programs with an increase for training, research and publications programs..... (1986 Base: FTE 69 Budget Authority $4,646,000)	--	+205,000

LMS-4

B. Program:

To provide the Office of Labor Management Standards with an increase for audit and investigative activities..... (1986 Base: FTE 441 Budget Authority $23,184,000)	+8	+1,017,000
To provide the Pension and Welfare Benefits Administration with an increase for field plan accomplishments, employee training, and contractual expenditures... (1986 Base: FTE 479 Budget Authority $28,220,000)	+13	+1,241,000
To provide the Bureau of Labor Management Relations and Cooperative Programs with additional funds for advisory and assistance services..... (1986 Base: FTE -- Budget Authority $ 469,000)	--	+47,000
To provide the Pension and Welfare Benefits Administration with additional funds for advisory and assistance services..... (1986 Base: FTE -- Budget Authority $1,845,000)	--	+184,000
To provide for increased cost associated with the pension data base.....	--	+800,000
To provide for increased cost associated with development of an automated ERISA data base system	--	+1,100,000
To provide for increased costs associated with the standard level user charges.... (1986 Base: FTE -- Budget Authority $2,974,000)	--	+1,380,000
To provide for increased costs associated with personnel benefits and relocation costs. (1986 Base: FTE -- (Budget Authority $3,964,000)	--	+1,498,000
Subtotal.....	+21	+7,472,000
Total Increase.....	+21	+8,691,000

Decreases:

A. Program:

Savings achieved thru Productivity Improvements..... (1986 Base: FTE 989 Budget Authority $27,830,000)	-10	-1,052,000
Savings achieved thru workload adjustments in Administrative and Support Services..... (1986 Base: FTE -- Budget Authority $4,628,000)	--	-195,000
Subtotal.....	-10	-1,247,000
Total Decrease.....	-10	-1,247,000
Total Change.....	+11	+7,444,000

BUDGET AUTHORITY BY ACTIVITY

LMS-6

Budget Authority applied to General Funds:	1985 Comparable FTE	1985 Comparable Amount	1986 Appropriation FTE	1986 Appropriation Amount	1/ 1986 Estimate FTE	1/ 1986 Estimate Amount	1987 Estimate FTE	1987 Estimate Amount	Increase or Decrease FTE	Increase or Decrease Amount
1. Labor-Management Relations Services...	69	$5,126,000	69	$4,797,000	69	$4,551,000	68	$4,904,000	-1	+$353,000
2. Labor-Management Standards.....	464	24,544,000	449	23,662,000	441	22,652,000	440	23,735,000	-1	+1,083,000
3. Pension and Welfare Benefits Admin.....	492	30,381,000	492	29,046,000	479	27,628,000	492	33,636,000	+13	+6,008,000
Total Budget Authority...	1,025	$60,051,000	1,010	$57,505,000	989	$54,831,000	1,000	$62,275,000	+11	+$7,444,000

1/Included in 1986 Estimate:
Sequestered under P.L. 99-177.....-$2,463,000 and -21 FTE.
Withdrawal pursuant to P.L. 99-190 .....-$ 231,000 and -- FTE.

Comparative transfer from
Asst. Secretary for
Administration & Management..... $20,000 and -- FTE.

LMS-7

BUDGET AUTHORITY BY OBJECT

	1985 Comparable	1986 Estimate	1987 Estimate
Total number of full-time permanent positions	1,055	1,040	1,030
Full-time equivalent:			
Full-time in permanent positions	1,012	976	991
Other positions	13	13	9
Total	1,025	989	1,000
Average ES salary	67,299	67,915	67,195
Average GM/GS grade	10.24	10.26	10.28
Average GM/GS salary	33,175	33,967	34,477
Personnel Compensation:			
Permanent positions	32,911	33,531	34,166
Positions other than permanent	357	220	320
Other personnel compensation	407	456	456
Subtotal, personnel compensation	33,675	34,207	34,942
Personnel benefits	3,945	3,895	4,907
Travel and transportation of persons	2,191	1,759	1,989
Transportation of things	82	82	85
Space Rental	2,849	2,849	4,354
Communications, utilities & other rent.	1,841	1,625	2,058
Printing and reproduction	547	320	334
Other services	14,441	9,626	13,118
Supplies and materials	210	214	223
Equipment	270	254	265
Total, Budget Authority by Object	60,051	54,831	62,275
Working Capital Fund obligations included above	(4,570)	(4,628)	(4,576)
Advisory and Assistance Services included above	(5,547)	(2,083)	(2,314)

LMS-8

SIGNIFICANT ITEMS IN 1986
HOUSE AND SENATE APPROPRIATIONS COMMITTEES REPORTS

Item	Action Taken or to be Taken
No specific actions recommended.	

AUTHORIZING LEGISLATION

Legislation	Budget Request 1986	Budget Request 1987
Authorizing legislation containing indefinite authority		
Urban Mass Transportation Act of 1964, as amended (P.L. 88-365)....	$ 534,000	$ 556,000
Rail Passenger Service Act of 1970, as amended (P.L. 91-518).	32,000	33,000
Federal Highway Aid Act of 1974, (P.L. 93-87).....	25,000	26,000
Surface Transportation Assistance Act of 1978 (P.L. 95-599).....	420,000	437,000
An act to create a Department of Labor, (P.L. 62-426).....	3,039,000	3,614,000
Labor-Management Reporting and Disclosure Act of 1959, as amended, (P.L. 86-257).....	21,755,000	22,880,000
Civil Service Reform Act of 1978, (P.L. 95-454).....	829,000	855,000
Employee Retirement Income Security Act of 1974 (P.L. 93-406).....	27,685,000	33,341,000
Redwood National Park Act of 1978, as amended (P.L. 95-250)..	395,000	411,000
Airline Deregulation Act of 1978, (P.L. 95-504).....	117,000	122,000

LMS-9

APPROPRIATION HISTORY

	Budget Estimates to Congress	House Allowance	Senate Allowance	Appropriation
1977.....	51,697,000	50,754,000	50.754,000	50,754,000
1978.....	58,542,000	55,961,000	55,961,000	55,961,000
1979.....	59,954,000	59,354,000	59,954,000	59,754,000
1980.....	58,027,000	56,164,000	56,164,000	56,164,000
1981.....	59,834,000	59,161,000	---	---
1982.....	53,957,000	62,325,000	57,110,000	54,910,000
1983.....	60,153,000	56,002,000	60,153,000	58,077,000
1984.....	64,130,000	62,148,000	60,511,000	62,136,000
1985.....	61,186,000	60,757,000	59,666,000	60,211,000
1986 1/.....	57,505,000	57,505,000	57,612,000	57,505,000
Sequestered under P.L. 99-177.....				$ 2,463,000
1987.....	$ 62,275,000			

1/ Does not include reductions pursuant to P.L. 99-177.

LABOR-MANAGEMENT SERVICES

SALARIES AND EXPENSES

JUSTIFICATION

	1985 Comparable		1986 Appropriation		1986 Estimate		1987 Estimate		Increase or Decrease	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
1. Labor-Management Relations Services...	69	$5,126,000	69	$4,797,000	69	$4,551,000	68	$4,904,000	-1	+$353,000
2. Labor-Management Standards.....	464	$24,544,000	449	23,662,000	441	22,652,000	440	23,735,000	-1	+1,083,000
3. Pension and Welfare Benefits Admin.....	492	30,381,000	492	29,046,000	479	27,628,000	492	33,636,000	+13	+6,008,000
Total Budget Authority...	1,025	$60,051,000	1,010	$57,505,000	989	$54,831,000 1/	1,000	$62,275,000	+11	+$7,444,000

1/ Included in 1986 Estimate above:

Sequestered under P.L. 99-177.....-$2,463,000 and -21 FTE.

Withdrawal pursuant to P.L. 99-190 .....-$ 231,000 and -- FTE.

Comparative transfer from Assistant Secretary for Administration and Management..... $ 20,000 and -- FTE.

BUREAU OF LABOR-MANAGEMENT RELATIONS AND COOPERATIVE PROGRAMS

LMS-11

1985 Comparable		1986 Appropriation		1986 Estimate		1987 Estimate		Increase or Decrease	
FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
69	$5,126,000	69	$4,797,000	69	$4,551,000 1/	68	$4,904,000	-1	+$353,000

1/ Included in 1986 Estimate above:
Sequestered under P.L. 99-177.....-$205,000 and -- FTE.
Withdrawal pursuant to P.L. 99-190.....-$ 47,000.

Comparative transfer from Assistant Secretary for Administration and Management.....$ 6,000.

Introduction

Funds provide salaries and expenses for the Bureau of Labor-Management Relations and Cooperative Programs. The goals of this Bureau are to improve productivity and the climate of labor-management relations by encouraging the development and implementation of voluntary labor-management cooperative programs; to insure that fair and equitable protective arrangements are afforded to employees affected by transportation and other Federal assistance programs; to provide equitable decisions when required in resolution of issues regarding interpretation, application or enforcement of protective arrangements; to provide information to the Secretary, the Under Secretary and others in government on labor-relations and labor disputes; to provide staff assistance in formulating policy recommendations and legislative initiatives in the broad area of labor-management relations; and to assist the Secretary, Under Secretary and others by administering a research program in the labor-management relations area.

1987 Budget Request

The FY 1987 budget request for this activity totals $4,904,000 and 68 positions. These resources will be utilized to promote cooperative initiatives. Generally, this will embrace innovative approaches including joint Department of Labor/private sector initiatives.

Specifically, funds will continue to be used to support efforts relating to contract research, information sharing, development of education and training materials and the conference and symposia program. Utilization of these resources will include efforts in linking top level policy representatives from the business, labor, government, and academic communities to diffuse knowledge of cooperative labor-management programs, practices, and concepts; the development and distribution of cooperative labor-management publications, with emphasis on meeting the specific informational needs of our client groups; the conference and symposia program with focus on regional and industry-specific issues; and the development of a program to equip labor and management with the necessary information to make informed choices among various, available cooperative techniques and programs.

Research activities will include preparing case studies of labor-management cooperation and examining potential legal and other barriers to the development of cooperative labor-management programs.

Funds are also used in the analysis of legislative proposals and in the formulation of policy positions on legislation and related matters. Reports will be prepared on collective bargaining developments, on legislative activity and on international activities that may require direct or indirect agency participation.

LMS-12

Grant applications under the Urban Mass Transportation Act (UMTA) and claims cases will be processed at substantially the same levels as in FY 1986.

Finally, the FY 1987 budget request reflects a decrease of one position which reflects the orderly phase down in the Redwood program.

1986

In FY 1986, the Bureau will continue its efforts to encourage and assist management and labor to undertake joint efforts to improve productivity and enhance the quality of working life through a variety of cooperative labor-management programs. The Bureau will bring together key labor and management representatives to explore innovations in the area of labor management relations. In 1986, the Bureau is planning 30 conferences and symposia which will provide new forums for labor and management to address issues of the workplace. New issues will be emphasized including work and family life (a major national conference), white collar productivity and employee involvement, the collective bargaining implication for competitiveness, and work sharing as an alternative to layoffs. In our regional emphasis, a new southeast initiative will start with a major regional conference; western activities include conducting a second major conference in that region. Other activities will take place throughout the country including the initiation of an effort to assist states to foster effective area labor-management committees. These programs enable the Bureau to assist local industry leaders in strengthening the economic viability of their industry and their labor force through labor-management cooperation. The strategy of bringing parties together in regional meetings is designed to examine and promote creative, cooperative alternatives to traditional, adversarial approaches. The Bureau is also responding to the request of its constituencies for FY 1986 to assist states, industries, companies and unions to implement programs to mitigate the adverse impact of plant closings and mass layoffs by organizing joint labor-management-state efforts to speed the outplacement and retraining of displaced workers well before plants close.

In the publications and information area, the Bureau plans to issue 10 publications, utilizing a variety of formats, to introduce industrial and labor leaders and the public at large to the latest information including practical and theoretical material on current innovations in labor-management relations and work organization. The bureau will provide information in appropriate formats that would otherwise be unavailable or inaccessible. Included in these materials will be case studies of exemplary and innovative industry cooperative activities, source books on specific issue areas, a special report on work and family life issues, and publications by recognized experts in the field of labor relations.

BLMRCP will continue its efforts to improve labor-management relations through its participation in the formulation of legislative and other policy positions for the Secretary. These efforts will include analysis of legislative and administrative proposals which might impact on labor-management relations; preparation of background and position papers on labor relations issues for policy making or developing legislative initiatives; assistance to ILAB whenever labor relations expertise is required in programs involving international organizations or foreign countries; and preparation of regular and special reports intended to keep the Deputy Under Secretary and his executive staff informed of significant legislative activity.

Efforts to keep the Secretary informed of industrial relations developments will continue and assistance will be offered in situations requiring Administration involvement. Activities will include: preparing regular and special reports on significant industrial relations developments, with particular attention directed to the status of major collective bargaining negotiations; providing staff assistance to ad hoc boards and panels established by the

Administration to resolve labor-management relations problems; and preparing briefing material required by the Secretary, and other top Administration officials. In addition, the Bureau will continue its work for the Emergency Mobilization Preparedness Board relating to labor dispute resolution procedures during a national emergency. A senior staff member will continue to participate on the Foreign Service Impasse Disputes Panel.

The Bureau will conduct case studies of cooperation and will study ways that colleges and universities can prepare present and future middle-managers for participative roles, and can engage in labor-management-university cooperative arrangements. Final reports will be provided on studies of 1) pay-for-knowledge systems of wage payment; 2) the unique cooperative arrangement with a major airline and 3) the tripartite labor-management-university cooperative effort to prevent an auto parts plant from closing. Case studies will be conducted on contemporary collective bargaining and labor-management relations, on labor-management cooperation programs, and on the impact of technology on human resources in an office environment. The Bureau will continue its information exchange with the Ministry of Labor and Social Affairs of Israel and the Department of Employment and Industrial Relations of Australia, and participate with OSHA and ILAB in implementing a cooperative agreement on work environment issues with the Swedish Ministry of Labor.

The employee protection activity will process more than 1,200 certification requests for mass transportation assistance. The estimates for FY 1986 for the Redwood Health and Welfare and Pension programs are based on the assumption that large numbers of claimants will continue to accept severance payments which terminate their Redwood eligibility. This will reduce the number of claims submitted. A small number of older workers are entitled to accept severance and continue eligibility.

In FY 1986 a reduction of $205,000 was taken for Gramm-Rudman. The effects of the Gramm-Rudman legislation in FY 1986 will require the Bureau to substantially reduce its staff training budget and impact the research and publications programs.

1985

In conjunction with private and public organizations, the Bureau sponsored or cosponsored 35 conferences and symposia addressing national, regional, and issue oriented agendas. These forums brought together key labor, management, neutral, and government leaders at all levels to discuss problems of mutual and critical concern. National level activities have been directed toward policy and decision makers in the private and public sectors in an effort to focus their attention on problems of national importance. For example, 30 industrial leaders were brought together in a state of the art symposium to discuss contemporary and far reaching issues. In FY 1985, the Bureau emphasized its commitment to assisting states in their efforts to facilitate statewide labor-management initiatives by cosponsoring five statewide conferences which resulted in numerous significant state-wide activities. Similarly, four workshops were held to prepare state personnel to assist labor and management in using labor-management cooperation and other joint approaches in helping find jobs for workers affected by plant closings and layoffs. The Bureau assisted the development of regional activities resulting in a variety of conferences and symposia. They ranged from one-day orientation and information workshops for networking and education purposes to three-day regional symposia bringing together regional economic leaders to identify and solve problems unique to their areas. The Bureau also sponsored industry specific activities in the shipbuilding, health care, and graphic arts industries to assist the parties in developing new joint methods to resolve the serious questions facing them.

LMS-14

The Bureau has additional outreach capabilities through its publication and information clearinghouse functions. In FY 1985, the Bureau developed and distributed 15 publications including case studies, conference reports, brochures, monographs, labor-management cooperation briefs and resource catalogs. The Bureau's publication program has produced and distributed these publications to more than 4500 key leaders, including international union presidents, CEO's and vice presidents of industrial relations of major U.S. corporations. This information clearinghouse function continues to expand to meet the ever increasing demands of practitioners in the field.

BLMRCP reviewed more than 200 requests for comments on legislative and administrative issues originating from the Congress or OMB and provided assistance in preparing briefing materials on significant legislative developments.

International activities, undertaken at the request of the Bureau of International Labor Affairs (ILAB), encompassed a broad area which included replying to information requests from international organizations on U.S. labor relations law and practices; preparing background materials and a discussion paper on labor-management cooperation and productivity for the April 1985 meeting of the Organization for Economic Cooperation and Development's Working Party on Industrial Relations; and briefing foreign service officers and foreign visitors on various aspects of labor-management relations in the U.S.

Staff continued to participate in the activities of the Emergency Mobilization Preparedness Board and the Foreign Service Impasse Disputes Panel.

Weekly reports on major collective bargaining situations and significant industrial relations developments were prepared and sent to the White House, the Secretary, and other key government officials.

Changes for 1987

Activity Changes:

Built-in:

Personnel Costs including net cost of within-grade promotions effective in 1987, net cost of annualized within-grade promotions effective in 1986, and increased personnel benefits costs	+$ 53,000
Nonpersonnel costs including increased GSA standard level user charges, increased cost of travel, increased cost of transportation, increased cost of rent, communications and utilities, increased cost of printing, increased cost of adminstrative support services, increased cost of miscellaneous contracts, increased cost of supplies and increased cost of equipment	+$ 42,000
Total Built-in	+$ 95,000
Net Program	+$ 258,000
FTE	-1

Bureau of Labor Management Relations and Cooperative Programs

Proposal: To provide increased funding for training, research and publications.

Rationale: To meet the need for an increased number of case studies in the labor-management cooperation area, along with an increased demand for seminars and publications that focus on the cooperative aspects of labor management relations.

Program Effects: This increase will provide funds needed to expand the number of case studies necessary for further research, allow the Bureau to publish an adequate number of informational pamphlets, and to carry on the number of seminars necessary to achieve their informational goals.

Base:
FTE: 69 Estimate: $ 4,646,000

Program Increase:
FTE: -- Estimate: +$ 205,000

Proposal: To provide increased funding for advisory and assistance services.

Rationale: This increase will allow the Bureau of Labor Management Relations and Cooperative Programs to adequately fund the resources related to research and training.

Program Effects: BLMRCP will provide consultants for Health and Welfare plans, research industrial relations and labor-management arrangements, and maintain technical support needed to carry out Displaced Worker/Plant Closing Program.

Base:
FTE: -- Estimate: $ 469,000

Program Increase:
FTE: -- Estimate: +$ 47,000

Proposal: To provide for the cost of GSA Standard Level User Charges that exceed the current services estimate for existing BLMRCP space holdings.

Rationale: The current services estimate for GSA Standard Level User Charges is insufficient to fund the FY 1987 GSA charges for existing BLMRCP space.

Program Effects: This increase is part of an overall pricing change and will not affect program performance. There is no increase in space from the FY 1986 level.

Base:
FTE: -- Estimate: $ 208,000

Program Increase:
FTE: -- Estimate: +$ 110,000

Proposal: A reduction of $88,000 in personnel compensation and benefits costs.

Rationale: Savings achieved through productivity improvements and lower average grade costs of positions in this activity..

Program Effects: Increased efficiencies in program operations.

Base:
FTE: 69 Estimate: $ 4,646,000

Program Decrease:
FTE: -1 Estimate: -$ 88,000

LMS-16

Proposal: A reduction of administrative and support services costs.

Rationale: Savings achieved thru workload adjustments in administrative support services.

Program Effects: Increased efficiencies in program operations.

Base:
FTE: -- Estimate: $ 300,000

Program Decrease:
FTE: -- Estimate: -$ 16,000

WORKLOAD ACCOMPLISHMENTS

	1985 Actual	1986 Estimate	1987 Estimate
Cooperative Programs			
Conferences/Symposia/Plant Closing Workshops	35	30	30
Outreach/Technical Assistance	1080	1080	1080
Publications	15	10	10
Development of Data Base/Entries	74	74	74
Training Materials	3	3	3
Other:			
Speech Preparation	31	31	31
Correspondence	480	480	480
Requests for Information/Publication	2060	2060	2060
Employee Protections			
UMTA Certification Program	1142	1250	1350
Small Urban and Rural Programs	781	781	781
UMTA Claims: Determinations	16	6	6
Redwood: Health and Welfare Claims	2150	1150	520
Redwood: Pension Claims	876	345	45
Redwood Appeals	158	140	130

LMS-18

OFFICE OF LABOR-MANAGEMENT STANDARDS

1985 Comparable		1986 Appropriation		1986 Estimate		1987 Estimate		Increase or Decrease	
FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
464	$24,544,000	449	$23,662,000	441	$22,652,000 1/	440	$23,735,000	-1	+$1,083,000

1/ Included in 1986 Estimate above:
Sequestered under P.L. 99-177.....-$1,017,000.

Comparative transfer from Assistant Secretary for Administration and Management.....$7,000.

Introduction

The Office of Labor-Management Standards (OLMS) plans, administers and directs the enforcement of those provisions of the Labor-Management Reporting and Disclosure Act of 1959, as amended (LMRDA); the Civil Service Reform Act (CSRA); the Foreign Service Act (FSA); and the Postal Reorganization Act (PRA), for which the Secretary of Labor has responsibility.

Congress enacted the LMRDA to establish certain rights for union members, to require proper handling of union funds and to safeguard union assets, to provide for the reporting and disclosure of certain financial transactions and administrative practices of labor organizations and employers, to prevent abuses in the administration of trusteeships of labor organizations, and to impose standards on the frequency and conduct of union elections. Enforcement involves both civil and criminal investigations, as well as audits of labor organizations aimed at discovering civil and criminal violations of the LMRDA. The union election provisions mandated by the LMRDA make this aspect of the law a high priority activity. By law, the Secretary of Labor is obligated to investigate and process each union officer election complaint within 60 days of receipt of complaint. Similar provisions are provided in the CSRA and the FSA for unions in the Federal sector and in the PRA for unions in the Postal Service.

In addition to the statutorily mandated election program, OLMS is strongly committed to achieving a balanced enforcement program that assures enforcement of all provisions of the LMRDA and the CSRA, consistent with efficient utilization of the Agency's resources. The enforcement policy assigns the highest priority for the election program. The Agency emphasizes two violation-discovery programs, the Compliance Audit Program (CAP) and the International Compliance Audit Program (ICAP), which apply audit/investigative techniques most likely to reveal embezzlements, as well as LMRDA violations. OLMS is working toward the long term objective of regular cyclical audits of labor organizations to deter corruption and to protect union assets and the rights of members.

In FY 1987, continuing emphasis will be placed on a well-balanced program of civil and criminal investigations, as well as financial audits. As mandated by law, the union officer election investigations and supervised elections will continue to receive priority attention. The Agency will continue its efforts to raise the level of voluntary compliance with the provisions of the LMRDA and the CSRA by devoting increased resources to its liaison/compliance assistance program.

1987 Budget Request

The FY 1987 budget request for this activity totals $23,735,000 and reflects a program decrease of nine positions and associated costs reflecting more efficient operations as part of the President's productivity improvement initiative.

In FY 1987, continuing emphasis will be placed on a well-balanced program of civil and criminal enforcement in an effort to combat those serious violations of

the LMRDA which interfere with democratic processes within labor organizations. Major goals for FY 1987 include investigating challenged union officer elections and ensuring proper case disposition within 60 days after a complaint is filed, and supervising union elections in accordance with the provisions of the applicable union constitutions and the law; investigating trusteeship complaints pursuant to Title III of the LMRDA; investigating embezzlement cases and referring those with criminal violations to the Department of Justice for prosecution; conducting compliance audits (CAP) and international compliance audits (I-CAP) to provide compliance assistance, as well as to detect criminal and civil violations of the LMRDA; handling delinquent filer cases and deficient financial reports cases; disseminating information through appropriate rules, regulations, interpretations, and opinions; and providing a wide range of liaison/compliance assistance activities and programs for International Unions and their affiliates to promote understanding of the union members' rights and officers' responsibilities under the Acts. OLMS will also continue its efforts to ensure proper reporting under the provisions of the LMRDA by employers and consultants.

OLMS intends to enhance its efforts in achieving an effective liaison/compliance assistance program. Specifically, OLMS will establish and maintain regular contact with top level international and national union officials to facilitate effective liaison and concentrated compliance assistance activities. The goals of this program are to provide ongoing assistance to International Union Officials in order to improve compliance with the LMRDA by the parent body and its affiliated unions; develop cooperative agreements whereby common civil violations of the LMRDA (delinquent and deficient reporting, bonding) by affiliated unions will be corrected at the International Union level, thereby reducing the need for OLMS investigations; and establish and maintain effective communication with International Union Officials in regard to LMRDA-related matters, including policy changes, court decisions, OLMS programs, etc. Several new liaison/compliance assistance programs designed to help union officers file annual financial reports and conduct elections in accordance with the LMRDA; to facilitate the distribution of OLMS instructional materials to new union officers; and to provide assistance to merging unions to ensure LMRDA compliance with minimal interference or negative impact on the merger itself will be fully operational in fiscal years 1986 and 1987.

During FY 1987, other major objectives continue to include control of operating costs and the improvement of public services delivery through better planning and coordination. The President's management initiatives will be given high priority as efforts continue to streamline administrative support through management and organizational improvements.

FY 1986

During FY 1986, new measures will be implemented aimed at improving case handling and review in the election program. The deficient reports program is currently under review and a new program to improve compliance with the requirements of the LMRDA will be developed. In addition, continued emphasis will be placed on obtaining proper compliance with Title II of the LMRDA. In this regard, a task force was established in FY 1985 to compare the filing dates and contents of employer and consultant reports received from 1980 to the present to identify delinquent and deficient reports, obtain proper compliance, and develop an ongoing cross-checking system. This monitoring process will continue during FY 1986. Beginning in FY 1986, OLMS intends to enhance its liaison/compliance assistance program. One of the goals of this activity is to increase voluntary compliance by labor organizations and thereby reduce the need for OLMS investigative activity. Nationwide training of OLMS field and National Office personnel will continue in line with the policy of improving the quality of audits and investigations.

LMS-20

In FY 1986, $1,017,000 has been sequestered under the Balanced Budget and Emergency Deficit Control Act of 1985. It is anticipated that the impact of this reduction will be reflected in the number of audits and investigations conducted during FY 1986.

FY 1985

During the past year, a new Compliance Audit Program (CAP) Handbook was distributed to the OLMS field staff which includes numerous revisions to improve the program, particularly more detailed instructions. The revised Compliance Audit Program was implemented nationally on July 1, 1985. Additionally, a review of the International Compliance Audit Program (I-CAP) has been completed and a substantially revised I-CAP will be implemented nationally during FY 1986.

The national office delinquent reports program was analyzed and a decision was made to return the program to the field offices because delinquent labor organization annual financial reports are a serious problem which requires more attention and enforcement emphasis. The new field program became operative during the latter part of FY 1985.

Changes for 1987

Activity Changes:
Built-in:

Personnel Costs including net cost of within-grade promotions effective in 1987, net cost of annualized within-grade promotions effective in 1986, and increased personnel benefits costs	+$ 249,000
Nonpersonnel costs including increased GSA standard level user charges, increased cost of travel, increased cost of transportation, increased cost of rent communications and utilities, increased cost of printing, increased cost of adminstrative support services, increased cost of miscellaneous contracts, increased cost of supplies and increased cost of equipment	+$ 283,000
Total Built-in	+$ 532,000
Net Program	+$ 551,000
FTE	-1

Office of Labor Management Standards

Proposal: To provide increased funding for audit and investigative activities.

Rationale: To maintain a well-balanced enforcement program, an adequate number of investigations, reports and audits must be completed.

Program Effects: This increase will provide for additional embezzelement investigations, compliance audits, international compliance audits, and deficient report investigations.

Base:
FTE: 441 Estimate: $ 23,184,000

Program Increase:
FTE: +8 Estimate: +$ 1,017,000

Proposal: To provide for the cost of GSA Standard Level User Charges that exceed the current services estimate for existing OLMS space holdings.

Rationale: The current services estimate for GSA Standard Level User Charges is insufficient to fund the FY 1987 GSA charges for existing OLMS space.

Program Effects: This increase is part of an overall pricing change and will not affect program performance. There is no increase in space from the FY 1986 level.

Base:
FTE: -- Estimate: $ 1,279,000

Program Increase:
FTE: -- Estimate: +$ 580,000

Proposal: A reduction of $964,000 in personnel compensation and personnel benefits costs.

Rationale: Savings achieved through productivity improvements and lower average grade costs of positions in this activity.

Program Effects: Increased efficiencies in program operations.

Base:
FTE: 441 Estimate: $ 23,184,000

Program Decrease:
FTE: -9 Estimate: -$ 964,000

Proposal: A reduction of administrative and support services costs.

Rationale: Savings achieved through workload adjustments in administrative support services.

Program Effects: Increased efficiencies in program operations.

Base:
FTE: -- Estimate: $1,970,000

Program Decrease:
FTE: -- Estimate: -$82,000

WORKLOAD ACCOMPLISHMENTS

LMS-22

	1985 Actual	1986 Estimate	1987 Estimate
Audits			
Financial report audits	3,942	4,500	4,554
International compliance audits	14	20	40
Field audits	12	15	15
Compliance audits	1,578	1,200	1,417
Investigations			
Election investigations	193	200	202
Embezzlement investigations	397	475	531
Union officer/employee and employer/ consultant investigations	60	150	202
Trusteeship investigations	17	15	15
Delinquent report investigations	273	7,000	6,072
Basic and special investigations	121	175	177
Deficient financial report investigations	22	350	1,316
Miscellaneous			
Supervised elections	46	50	50
Reports processed	64,691	65,000	65,780
Reports disclosed	40,807	35,000	38,456
International and national union liaison activities*	141	100	405
Compliance assistance contacts/ activities**	361	400	506
Inquiries	42,417	40,000	40,480
Freedom of information act requests	210	175	177
Constitutions analyzed	18	48	49
Legislative reviews	76	44	45
Interpretations and policy rulings	94	375	380

*New Category
**New Category - Split from Inquiries

PENSION AND WELFARE BENEFITS ADMINISTRATION

LMS-23

1985 Comparable		1986 Appropriation		1986 Estimate		1987 Estimate		Increase or Decrease	
FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
492	$30,381,000	492	$29,046,000	479	$27,628,000 1/	492	$33,636,000	+13	+$6,008,000

1/ Included in 1986 Estimate above:
Sequestered under P.L. 99-177.....-$1,241,000 and -13 FTE.
Withdrawal pursuant to P.L. 99-190.....-$184,000.

Comparative transfer from Assistant Secretary for Administration and Management..... $7,000.

Introduction

Secretary Brock has recently signed an order changing the Office of Pension and Welfare Benefit Programs to the Pension and Welfare Benefits Administration (PWBA). The Administration's leadership is provided by the newly appointed Assistant Secretary and Deputy Assistant Secretary. These changes reflect the Secretary's commitment to highlight the importance of the agency's responsibilities under the Employee Retirement Income Security Act of 1974 (ERISA). These include investigation and enforcement of ERISA civil standards and related criminal statutes, interpretation and promulgation of regulations, archival responsibilities, disclosure of plan descriptions and financial data, assistance to the public, and policy research.

ERISA provides uniform and nationwide standards for the conduct of pension and welfare benefit programs and a mechanism to ensure the security of benefits for plan participants. ERISA currently covers 4.560 million welfare plans and 915,000 pension plans representing over 66 million pension plan participants and assets of over one trillion dollars. Pension funds presently constitute about 18% of traded equities and 32% of corporate bonds, thereby having a significant impact on capital markets and the economy.

Responsibility for the administration of ERISA is shared by the Pension and Welfare Benefits Administration (PWBA), the Internal Revenue Service (IRS), and the Pension Benefit Guaranty Corporation (PBGC). PWBA is assigned primary responsibility for administration of the fiduciary, reporting, and disclosure provisions of ERISA.

PWBA's responsibilities are administered through five types of program activities. These are: (1) Investigation and Enforcement, (2) Regulations and Interpretations, (3) Archival activities and disclosure of documents, (4) Assistance to the public, and (5) Policy research.

Funds provide salaries and expenses for a national office and investigative personnel in the field.

FY 1987 Budget Request

During FY 1987 the primary goal of PWBA will be to continue to protect the interests of plan participants and beneficiaries through the effective implementation and enforcement of ERISA. Operational objectives are directed toward the updating and enhancement of programs to make Federal activities more compatible with the requirements of today's pension community and capable of meeting expected workloads. This involves initiatives within each of the five types of program activities.

A strong enforcement program is essential given the enormity and character of employee benefit assets which invite abuse. PWBA seeks to achieve compliance with the fiduciary and reporting provisions of ERISA and the requirements of related criminal laws.

LMS-24

Regulation and interpretation objectives are directed toward facilitation of knowledgeable voluntary compliance with the complex requirements of Title 1 of ERISA so that investment opportunities may be planned and pursued on a timely basis in safety for plan participants without unnecessary solicitation of government approval or unwarranted intrusion into private sector business decisions.

The archival and disclosure functions seek to maintain accurate, up-to-date, and complete ERISA reports on file for use by the public and government. This has become increasingly difficult because the current system of paper and microfiche copy is having trouble handling the large volume of reports.

Assistance to the public provides information and assistance to participants, plan officials, asset managers, and the general public in order to aid in the understanding of ERISA and encourage voluntary compliance with the law.

Policy research provides policy makers with analyses of current issues in order to facilitate informed decision-making through the conduct of special studies of specific issues, analyses of legislative changes to ERISA and related laws, development of economic impact analyses of regulations, and burden hour impact analyses of ERISA reporting and disclosure requirements.

The FY 1987 Budget request reflects a planned overall productivity improvement achieved through management initiatives and improved operational processes.

An increase of $.8 million in contract research funds is included to maintain the Department's longitudinal base of pension data by entering 1984 and 1985 data. This activity began in FY 1984 and FY 1985 in response to the demand for comprehensive financial statistics in the area, but lack of resources forced the suspension of this activity in FY 1986. In FY 1987 a contract would be awarded for basic data entry, edit, and analysis of the 1984 and 1985 Form 5500 Series reports. Maintenance of the longitudinal base of pension data is necessary given the significant changes in the employee benefit universe, emerging trends that need to be monitored and analyzed, and the statistical and other information requirements of major policy and legislative inititatives. This 5500 data base update will also enhance enforcement targeting capabilities.

The published up-to-date, accurate and comprehensive statistics used by Congress, the Executive Branch, and the public measure the influence of ERISA on the pension universe, and provide credibility and the basis for informed judgements in making decisions that will have positive impacts on the effects of employee benefit plans on tne capital markets.

ERISA established the Department of Labor as the national repository of employee benefit plan information. This data is essential to enforcement, statistical analysis, policy development and public information functions. However, the current IRS/DOL 5500 information system is having trouble providing this information in the accurate, timely and easily accessible manner required for proper performance of these functions. For example, at least one-third of the annual reports for the current year filed with the government are inaccessible.

An increase of $1.1 million is included to pursue continued development of a comprehensive ERISA data base system. Depending on the outcome of further analyses being conducted in FY 1986 as to the need and alternatives for and

impact of such a data base system, the $1.1 million will be used to develop RFPs for a comprehensive data base and for methods of accessing and using it, along with technical support in evaluating the proposals.

FY 1986

Enforcement efforts for FY 1986 will continue on refining case selection and investigative methods and techniques through the development of more precise targeting analyses and auditing guides. Implementation of a comprehensive training program will begin in FY 1986 to ensure a high level of technical skills of investigators and to update expertise in rapidly evolving areas. A comprehensive review and update of the Compliance Strategy Document and the revised Compliance Manual will be initiated in FY 1986. The most important cases investigated by field personnel, fiduciary and limited reviews, will decrease slightly from the FY 1985 level. Criminal investigations will also decrease from the FY 1985 level. In its second year of operations, the Division of Investigations is expected to complete 80 national investigations, an increase of 75 over FY 1985.

Based on current progress, it is anticipated that the 1986 portion of the regulatory agenda developed during FY 1985 will be completed. Final regulations will be issued defining "plan assets" and prescribing an alternative method of annual reporting for plans investing in certain entities. Proposed regulations will relate to participant directed account plans and participant loan programs. Other proposed regulations will prescribe objective guidance regarding purchases and sales of employer securities for "adequate consideration" and will establish administrative procedures for the imposition of civil penalties for prohibited transactions relating to welfare plans. Securities brokerage and bank foreign currency exchange transactions will be the centerpieces of class exemption activity. A major revision of the exemption application procedure is anticipated as well as resolution of precedential exemption cases involving investments shared between plans and fiduciaries, performance compensation arrangements and retroactive relief.

In FY 1986, reports processing will decrease by a minimum of 100,000 from the FY 1985 level of 1,100,000 per year. Reports on file will total 9 million, and 150,000 reports are planned to be disclosed to the public.

In the National office, participant inquiries are expected to result in increased written and telephone responses over FY 1985 levels. However, in part due to more referrals from the field, backlogs are expected to increase. The increased number of inquiries to be handled will cause a reduction in time spent responding to individual requests for assistance. Resolutions will be delayed, and therefore benefit recoveries will decrease slightly.

Several research projects will be completed in FY 1986. Data from the 1982 and 1983 Form 5500 Series will be aggregated in an automated data base resulting in the completion of a number of statistical reports on detailed characteristics of pension plans. The following contracted projects begun and funded in earlier years will be completed: a study of rates of return and portfolio selection of private pension plans; a study of actuarial practices of pension plans; and financial and participant characteristics of ERISA welfare benefit plans, especially health care plans.

In addition, a Congressionally requested study on the prevalence of employer sponsored post-retirement health insurance will be completed in FY 1986. Several economic impact analyses will be conducted and paperwork burden analyses will be conducted for two regulations and two class exemptions. Examples of other issues

to be studied are portability of pension roll-overs and cash-outs and Congressional bills relating to application of ERISA-like reporting and disclosure to public sector pension and welfare plans.

Information management activities during FY 1986 will involve the study and analysis of basic research data to ascertain the need and alternatives for a comprehensive automated data base system in addressing problems in the current filing process and the likely impact on user groups. In addition, maintenance of current operating information management systems will continue.

National Office increases in participant assistance responses, advisory opinions and information letters processed, reviews of field investigations, national investigations, targeting analysis, and litigation support cases reflect management improvements and priority changes.

As a result of P.L. 99-177 and P.L. 99-190, field planned accomplishments will be decreased, as will amounts spent for employee training. Contractual expenditures will be decreased in the areas of microfiche processing, ADP support for all program offices, and payment for IRS services.

FY 1985

In FY 1985, PWBA reorganized the enforcement program in the National Office and the field to provide improved investigative capability and a more efficient and effective field structure. A new Division of Investigations was established to conduct nationwide complex and high visibility investigations which require confidentiality and timely action. The number of field offices was reduced from twenty-five to fifteen to improve efficiency of operations. Other inititatives undertaken in FY 1985 included efforts to develop an overall enforcement training program, improved use of the Annual Report (Form 5500 series) for case selection, and an investigative program aimed at payment by plans of excessive brokerage fees related to the use of "soft dollars". During FY 1985, PWBA completed 773 fiduciary and 35 criminal investigations, which resulted in the recovery or protection of $51.2 million in plan assets. By the close of FY 1985, 12 indictments were obtained.

Regulations and interpretations activities continued to progress resulting from efforts to simplify ERISA's requirements and to provide dispositive guidance. The backlog of exemption applications was reduced by 82 during FY 1985. Major regulations were proposed to clarify which pension assets are subject to ERISA's fiduciary responsibility rules ("plan assets") and to prescribe an exemption and alternative method of compliance with the annual reporting requirements for plans investing in entities where assets are deemed to be "plan assets". A class exemption for the sale of customer notes by employers to plans was modified and made permanent; the exemption for short-term bank investments was expanded; major amendments to the securities brokerage class exemption were proposed; and a release was issued describing the guidelines applied by the Department in its consideration of retroactive exemption cases. Close to 550 advisory opinions and interpretative letters provided detailed advice concerning the application of the provisions of Title I of ERISA. A PWBA task force was established to review and revise the Form 5500 Report Series for the 1986 plan year to enhance ERISA enforcement and to accommodate a comprehensive automated data base system.

Archival processing functions were improved in FY 1985. PWBA is actively pursuing schedules, both new and revised, for the retirement of records to the Federal Records Centers. Records retention schedules have been completed for

both National Office and field office investigative files and for microfiche of 5500 series reports.

Increased productivity in response to inquiries resulted from management initiatives that included computerized sorting and tracking of work products, and higher priority emphasis on telephone responses to inquiries. These activities resulted in $2.5 million in participant benefit recoveries in FY 1985.

In the area of publications, a description of the Retirement Equity Act of 1984 was developed, and the pamphlet What You Should Know About ERISA was revised.

Several research projects and special studies in FY 1985 provided data and analysis for policy makers on the impact of ERISA on the employee benefits community. Two major research projects were completed during this year: 1) a comprehensive study of pension benefit levels, and 2) a profile of the financial characteristics of private pension plans. The latter project is the result of key-entering and editing data for a large sample of the 1981 Form 5500 series reports. This project has a significant number of applications for pension policy as well as providing a tool for enforcement purposes.

Special analyses were conducted on important issues such as reversion of assets in terminated pension plans, single employer plan termination insurance legislation, and federal policy regarding taxation of fringe benefits. In addition, private sector paperwork burdens were estimated for one class exemption and two reporting and disclosure requirements.

During FY 1985, operation of the existing information systems continued along with a study to determine the feasibility of electronic filing of ERISA forms including the development of an interagency (DOL, IRS, SSA) system model for an ERISA Electronic Information Handling System (EEIHS), one possible component of a comprehensive automated data base system.

The pilot for electronic filing proved to be a major success. It was demonstrated that electronic filing of ERISA forms is technically feasible. Approximately one thousand plan returns were filed electronically in the pilot project. Funding to continue development of a comprehensive automated data base system is proposed as part of this budget submission.

Changes for 1987

Activity Changes:

Built-in:

Personnel Costs including net cost of within-grade promotions effective in 1987, net cost of annualized within-grade promotions effective in 1986, and increased personnel benefits costs	+$ 270,000
Nonpersonnel costs including increased GSA standard level user charges, increased cost of travel, increased cost of transportation, increased cost of rent communications and utilities, increased cost of printing, increased cost of adminstrative support services, increased cost of miscellaneous contracts, increased cost of supplies and increased cost of equipment	+$ 322,000
Total Built-in	+$ 592,000
Net Program	+$5,416,000
FTE	+13

LMS-28

Pension and Welfare Benefits Administration

Proposal: To provide increased funding for field plan accomplishments, training and contractual expenditures.

Rationale: To maintain a well balanced ERISA program, increased funding is necessary to complete an adequate level of accomplishment in the areas of training, contracts and field enforcement activities.

Program Effects: To provide increases in field plan accomplishments, employee training, and contractual expenditures in the areas of microfiche processing, ADP support and payment for IRS services.

Base:
FTE: 479 Estimate: $28,220,000

Program Increase:
FTE: +13 Estimate: +$1,241,000

Proposal: To provide increased funding for advisory and assistance services.

Rationale: This increase is necessary to adequately fund the resources related to PWBA's receipt and processing of their annual reports.

Program Effect: PWBA will utilize the report data to ascertain potential violations of ERISA to support statutorily mandated public disclosure functions and to respond to inquiries from Congress and the public.

Base:
FTE: -- Estimate: $ 1,845,000

Program Increase:
FTE: -- Estimate: +$184,000

Proposal: To provide for an increase in funding to update and maintain the pension data base.

Rationale: To meet the increasing demand for comprehensive financial statistics for Congress and the public.

Program Effects: Update maintenance of the Labor Department longitudinal base of pension data. Provide statistical and other informational requirements of policy and legislative initiatives. This funding provides for basic data entry, edit, and analysis of the 1984 and 1985 Form 5500 series reports thus providing substantial information.

Base:
FTE: -- Estimate: $ --

Program Increase:
FTE: -- Estimate: +$800,000

Proposal: An increase of $1,100,000 for development of a comprehensive Employee Retirement Income Security Act data base system, pending completion of analyses starting in 1986 on the need and alternatives for and impact of such a system.

Rationale: Up-to-date, accurate and comprehensive statistics provided by ERISA are used by Congress, the Executive Branch and the public. The current system is not providing the information in an accurate, timely and easily accessible manner.

Program Effects: This increase would develop procurement proposals for a comprehensive data base and methods of accessing and using it, as well as technical support in evaluating the proposals.

Base:
FTE: -- Estimate: $ --

Program Increase:
FTE: -- Estimate: +$1,100,000

Proposal: To provide for the cost of GSA Standard Level User Charges that exceed the current services estimate for existing PWBA space holdings.

Rationale: The current services estimate for GSA Standard Level User Charges is insufficient to fund the FY 1987 GSA charges for existing PWBA space.

Program Effects: This increase is part of an overall pricing change and will not affect program performance. There is no increase in space from the FY 1986 level.

Base:
FTE: -- Estimate: $1,487,000

Program Increase:
FTE: -- Estimate: +$690,000

Proposal: An increase in personnel benefits of $1,498,000.

Rationale: To provide for increased relocation and personnel benefits costs.

Program Effects: This will provide for necessary adjustments in personnel benefits and relocation costs for PWBA to carry out its basic mission.

Base:
FTE: -- Estimate: $1,916,000

Program Increase:
FTE: -- Estimate: +$1,498,000

Proposal: A reduction of administrative and support services costs.

Rationale: Savings achieved through workload adjustments in administrative support services.

Program Effect: Increased efficiencies in program operations.

Base:
FTE: -- Estimate: $2,258,000

Program Decrease:
FTE: -- Estimate: -$97,000

LMS-30

WORKLOAD ACCOMPLISHMENTS

	1985 Actual	1986 Estimate	1987 Estimate
Total Field Investigations and Plan Reviews			
Pending at beginning	1,889	2,088	2,111
New Inventory	1,874	1,656	2,302
Processed	1,675	1,633	2,245
Carry-Over	2,088	2,111	2,168
Fiduciary Investigations and Plan Reviews Processed	(1,640)	(1,605)	(2,205)
Criminal Investigations Processed	(35)	(28)	(40)
Assets Restored	$51.2 mil	$45 mil	$45 mil
Collection/Completion, Review and Audit of Deficient Reports	7,061	3,253	1,241
Regulations Issued	6	8	9
Exemption Applications Processed	794	800	830
Advisory Opinions and Information Letters Issued	547	570	600
Determinations	2,088	1,473	1,450
Variances Processed	--	2	3
Inquiries Received	69,269	75,912	80,103
Inquiries Answered			
Field	45,000	45,000	50,000
National Office	23,382	24,300	25,063
ERISA Reports Received	1.1 mil	1.1 mil	1.1 mil
ERISA Reports Processed	1.1 mil	1.0 mil	1.0 mil
Reports on File for Disclosure	7.8 mil	9.0 mil	9.0 mil
Reports Disclosed to the Public	58,000	150,000	150,000

ADVISORY AND ASSISTANCE SERVICES1/ LMS-31

	FY 1986	FY 1987
Type of Services		
Advisory and Assistance Services.....	$2,269,000	$2,269,000
Personnel Appointments:		
a. Consultants and Experts.....		
b. Advisory Commission Members.....	45,000	45,000
Total.....	$2,314,000	$2,314,000
Withdrawn from Obligation under Section 515, Treasury-Postal Service Appropriations Act, 1986. (Referenced in P.L. 99-190).....	- 231,000	
Revised Total.....	$2,083,000	$2,314,000

Justification of FY 1987 Request

Labor-Management Relations and Cooperative Programs ($469,000)

The Bureau of Labor-Management Relations and Cooperative Programs utilizes Advisory and Assistance Services (1) as consultants for the Redwood Health and Welfare plans, (2) for the contract research program to study the factors affecting cooperative labor-management arrangements and industrial relations, (3) to maintain technical support needed to carry out the Displaced Worker/Plant Closings Program, and (4) to conduct various conferences and symposia aimed at encouraging and promoting cooperative labor-management programs.

Pension and Welfare Benefits Administration ($1,845,000):

The $1.8 million for Advisory and Assistance Services provides critical resources primarily related to the receipt and processing of Annual Financial Reports and Summary Plan Descriptions. These data are utilized to ascertain potential violations of ERISA, to support statutorily mandated public disclosure functions, and to respond to inquiries from the Congress and the public. Other dollars included in this area are for obtaining the services of expert witnesses to testify in civil litigation cases brought by the Department under ERISA. These services are crucial to litigation in that selected experts are needed to review and analyze facts and testify at trials on such complex issues as real estate transactions, prudence of investments, the fair market value of stock, etc.

1/ The Cabinet Council on Management and Administration (CCMA) defines advisory and assistance services as those activities funded under six categories of procurements found in the Federal Procurement Data System. These categories include: 1) Management and Professional Services, 2) Special Studies and Analyses, 3) Management and Support Services for Research and Demonstration, 4) Training, 5) Management Review of Program Funded Organizations, and 6) Public Relations.

STANDARD FORM 306
July 1968, Bureau of the Budget
Circular No. A-11, Revised.
306-103

EMS-32

DETAIL OF PERMANENT POSITIONS

	FY 1985 Comparable	FY1986 Estimate	FY 1987 Estimate
Executive level I			
Executive level III			
Executive level IV			
Executive level V	2	2	2
Subtotal	2	2	2
ES-6			
ES-5	2	2	2
ES-4	9	9	9
ES-3	3	3	3
ES-2	--	--	--
ES-1	1	1	1
Subtotal	15	15	15
GS-18			
GS-17			
GS-16			
GS/GM-15	56	56	56
GS/GM-14	74	74	74
GS/GM-13	161	161	161
GS-12	311	307	297
GS-11	60	60	60
GS-10	2	2	2
GS-9	59	57	57
GS-8	8	8	8
GS-7	52	52	52
GS-6	86	80	80
GS-5	99	99	99
GS-4	49	46	46
GS-3	19	19	19
GS-2	2	2	2
GS-1	--	--	--
Subtotal	1,038	1,023	1,013
Total Permanent Positions	1,055	1,040	1,030
Unfilled positions, end of year	-43	-43	-39
Total Permanent Employment, end of year	1,012	997	991

MONDAY, MARCH 3, 1986.

OCCUPATIONAL SAFETY AND HEALTH ADMINISTRATION

SALARIES AND EXPENSES

WITNESSES

PATRICK R. TYSON, ACTING ASSISTANT SECRETARY
FRANK FRODYMA, ACTING DIRECTOR, DIRECTORATE OF POLICY
JOHN B. MILES, DIRECTOR, DIRECTORATE OF FIELD OPERATIONS
PAULA O. WHITE, BUDGET OFFICER, OSHA
MARY ANN WYRSCH, DIRECTOR, OFFICE OF BUDGET

Mr. NATCHER. At this time, we take up the budget request for fiscal year 1987 for the Occupational Safety and Health Administration, and we have before the committee Mr. Patrick R. Tyson, Acting Assistant Secretary.

Mr. Tyson, tell us who you have with you at the table.

Mr. TYSON. On my left is John Miles, Director of Field Operations for the agency; Paula White, our budget officer; Frank Frodyma, Acting Director for Policy; and Mary Ann Wyrsch, Departmental budget officer.

Mr. Chairman, if I may, I will submit my statement for the record, and allow you to go immediately into questions.

[The statement and biography of Mr. Tyson follow:]

Statement by Patrick Tyson
Acting Assistant Secretary for Occupational Safety and Health

House Appropriations Subcommittee

Occupational Safety and Health Administration
Salaries and Expenses

March 3, 1986

Mr. Chairman and Members of the Subcommittee:

Thank you for this opportunity to present the Occupational Safety and Health Administration's fiscal year 1987 appropriation request, which provides for the necessary expenses of the Agency to carry out the purposes of the Occupational Safety and Health Act of 1970.

The Agency is requesting a total of $225,811,000 and the fulltime equivalent of 2,208 positions -- a net increase of $18,057,000 and 42 positions from the estimate for fiscal year 1986. This request allows for mandatory or "built-in" increases totaling $6,534,000. The request also includes the following increases:

-- $533,000, to restore amounts withdrawn in 1986 for advisory and assistance services pursuant to P.L. 99-190;

-- $9,372,000 and 42 FTE, to support the agency's planned level of activities in 1987. The 1987 increases will permit OSHA to provide a full range of services, and to meet its regulatory and enforcement targets;

-- $1,003,000 for the onsite consultation program, to eliminate a backlog of requests;

-- $171,000, to provide for an increase for State statistical grants to ensure timely collection of data;

-- $125,000 for New Directions training grants, to maintain the planned level of program participation;

-- $159,000, to provide for increased rental payments to GSA;

-- $160,000, to provide for the increased costs of Departmental administrative and support services.

The program increases requested for fiscal year 1987 will enable OSHA to:

-- conduct an estimated 71,400 worksite inspections in 1987, approximately 6,500 more than the number projected for 1986, and slightly more than the number conducted in 1985;

-- In addition, State safety and health inspectors in plan States are expected to conduct 115,500 worksite inspections under Federal matching grants, approximately 3,000 more than the number estimated for 1986, and 1,300 more than the number conducted in 1985;

-- State personnel providing Federally supported consultation in 47 States and jurisdictions will make approximately 30,600 worksite visits, including an increased number of comprehensive training and assistance visits.

OSHA will ensure that its resources, organization and internal systems continue to support the goal of a balanced program. The agency will promote a mix of activities that includes standards development, inspections, consultation, education, training, statistics, State programs, Federal agency programs, and voluntary employer/employee protection programs:

-- Comprehensive safety and health standards will be developed and promulgated which are enforceable and provide quality protection to the American workforce.

-- Inspections will continue to be targeted in high-hazard industries, with special emphasis on health investigations in the chemical industries and hazardous waste sites.

-- State program staffing benchmarks will continue to be reviewed, and hearings will be initiated as appropriate to consider final 18(e) approval of State occupational safety and health programs which meet the "fully effective" enforcement staffing and related criteria.

-- The consultation activity will respond to an expected increase in the number of smaller establishments requesting comprehensive training and assistance visits, to assist them in developing effective safety and health programs for the long-term reduction of hazards.

-- OSHA will continue to support current training and education grants and to award new grants to organizations serving high-risk industries that can benefit from additional safety and health training.

-- OSHA will support the safety and health efforts of other Federal agencies through technical assistance, training, and selected evaluations.

-- Federal agencies will be monitored in terms of the President's goal to reduce compensation claims by Federal workers by three percent each year for five years -- for a total of 15 percent by 1989.

-- Voluntary protection programs will recognize private sector firms with exemplary safety and health programs, providing exemptions from general schedule inspections.

-- A full range of technical services will be provided to support OSHA's program operations, including purchases of new laboratory supplies and equipment needed to conduct OSHA's planned special emphasis programs.

The Occupational Safety and Health Act was enacted in December 1970, and became effective April 28, 1971. Fifteen years ago, many people expected an immediate, dramatic improvement in the incidence rates for occupational injuries and illnesses. We found the task an arduous one, and the gains difficult to measure. Nevertheless, the agency, and the people in the agency -- a talented team of professionals -- are dedicated to the improvement of workplace conditions in America.

The anticipated Gramm-Rudman-Hollings budget cuts will present us with an additional challenge in 1986 -- to do all we can to minimize their effects on our ability to protect American working men and women. The budget request will enable us to conduct our 1987 activities at the level that had been planned prior to the reductions in 1986.

Thank you, Mr. Chairman. This concludes my statement. I will be pleased to respond to any questions.

PATRICK R. TYSON
Acting Assistant Secretary of Labor
Occupational Safety and Health

Patrick R. Tyson was appointed Acting Assistant Secretary of Labor for Occupational Safety and Health by Secretary of Labor William E. Brock upon the departure of Robert A. Rowland on July 1, 1985. As Acting Assistant Secretary, Mr. Tyson has the complete responsibility for managing the Occupational Safety and Health Administration. He previously held the position of Deputy Assistant Secretary. Prior to holding the position of Deputy he was Director of Federal Compliance and State Programs in OSHA.

Mr. Tyson began his career with the Labor Department in 1973. From January-November 1982, he headed OSHA's Directorate of Federal Cpmpliance and and State Programs where he was responsible for developing compliance programs for OSHA's field enforcement. He also coordinated the activities of the 24 states that operate their own OSHA-approved job safety and health programs. From 1973 to 1981, he worked as a lawyer with the Department's Office of the Solicitor handling issues primarily related to OSHA's state program area. In 1978 he served as assistant counsel for state programs and grants for the Solicitor's Division of Occupational Safety and Health.

In 1970 Mr. Tyson earned his B.S. in business from Auburn University. He received his Juris Doctorate from the University of Toledo's College of Law in 1973. Mr. Tyson is a member of the Virginia State Bar.

Born in Atlanta, Georgia, on September 26, 1948, Mr. Tyson grew up in Birmingham, Alabama. Mr. Tyson, his wife Pamela, and daughters Leigh and Elizabeth live in Burke, Virginia.

NOMINATION OF NEW ASSISTANT SECRETARY

Mr. NATCHER. You are the Acting Assistant Secretary. Has the new agency head been nominated by the President?

Mr. TYSON. It is my understanding that the nomination went up late last week.

Mr. NATCHER. When do you expect him to take over the direction of the agency? Do you have any idea?

Mr. TYSON. No, sir, I do not. That issue will be decided by your colleagues on the other side of the Capitol, and depends how quickly they decide to schedule and hold hearings.

Mr. NATCHER. If you would please, in the record place a short biographical sketch of the gentleman whose name is now before the Senate.

[The information follows:]

BIOGRAPHICAL SKETCH OF JOHN A. PENDERGRASS

EDUCATION

University of Alabama, B.S. Biology/Chemistry;
University of Michigan, M.P.H. Industrial Hygiene.

PROFESSIONAL EXPERIENCE

1964 to Present—3M Company, St. Paul, MN:
1964-1979—Industrial Hygienist to Associate Director Medical Director (Industrial Hygiene, Health Physics and Toxicology).
1979-1982—Develop Industrial Hygiene as profit center for 3M Occupational Health & Safety Division.
1982—Manager 3M Specialty Consulting Service (Industrial Hygiene Service for Health Care Industry).
1983—Manger Industry Hygiene Litigation.
1984—Manager Hazards Awareness Products (Health & Safety Hazards Employee Training Materials).
1957-1964—American Cyanamid Co., Wayne, N.J.—Corp. Staff: Industrial Hygienist.
1956-1957—Boeing Airplane Co. (Wichita, Kansas): Industrial Hygiene & Supervision Clinical Laboratory.
1948-1957—Tennessee Valley Authority, Muscle Shoals, Ala:
1948-1951 Biologist Toxicology.
1953-1954 Industrial Hygiene Chemist.
1955-1956 Industrial Hygienist.
1953-1954 Graduate School.

PROFESSIONAL ACTIVITY

American Industrial Hygiene Association: Member, 1955—Present; Board of Directors, 1967-1970; President, 1974-1975; Chairman, Institute for Continuing Education 1976-1979; Management Committee, 1979-1982; Occupational Health Standards, 1982 Present.
Board Certified Safety Professional: Director, 1974-1977.
American Board Industrial Hygiene: Director, 1981 to Present.
Occupational Health Institute: Director, 1976-1982; Chairman, 1982-1983.
Health Physics Society: Member, 1966 to Present.
American Academy Industrial Hygiene: Diplomate, 1966 to Present.
Occupational Health & Safety Programs Accreditation Commission: Director, 1971-1977; Chairman, 1976-1977.

CERTIFICATION AND LICENSE

American Board of Industrial Hygiene , #517, 1963.
Board Certified Safety Professionals, #414, 1970.
Professional Engineer, California, #2757, 1978.

PUBLICATIONS IN

Amercan Industrial Hygiene Association Journal;
American Public Health Association Journal;
Journal Occupational Health and Safety; and
International Encyclopedia of Occupational Health and Safety;
Sampling and Analysis of Toxic Organics in Atmosphere ASTM 721.

Mr. NATCHER. How long have you been the Acting Assistant Secretary?

Mr. TYSON. Mr. Chairman, I assumed the acting role in July of last year.

REQUESTED INCREASES

Mr. NATCHER. You are requesting an increase of $18 million for fiscal year 1987, about 9 percent. That is correct?

Mr. TYSON. Yes, sir.

GRAMM-RUDMAN-HOLLINGS REDUCTIONS

Mr. NATCHER. How much of that increase represents simply a restoration of Gramm-Rudman reductions in 1986?

Mr. TYSON. About $9 million of that total of $18 million represents a restoration of the Gramm-Rudman cuts.

Mr. NATCHER. If you will, supply a listing of the Gramm-Rudman restorations, and place it in the record at this place, please.

[The information follows:]

OSHA's GRAMM-RUDMAN-HOLLINGS RESTORATION

Mr. TYSON. The following list represents OSHA's request for the restoration of Gramm-Rudman-Hollings reductions:

Standards development and promulgation	$263,000
Federal safety and health enforcement	3,761,000
State operational grants	2,280,000
Technical support activity	586,000
Compliance assistance activity	73,000
Statistical activity	604,000
Administrative support	205,000
Consultation program	1,003,000
New Directions grants	125,000
BLS State statistical grants	171,000
Total restoration costs	9,071,000

Mr. NATCHER. Why doesn't your budget justification indicate that these items are restorations of Gramm-Rudman cuts, and not program increases in the usual sense?

The reason why we ask you that, Mr. Tyson, the lady that sits way down on your right is going to compile for us, and she is delighted to do it, a list of all the reductions that took place on March 1 in the Department of Labor, and that are being restored in the 1987 bill.

It is a good precedent. We want it in the record, so we can look at it every day, Mr. Tyson.

Mr. TYSON. It is my understanding that these were the directions that we had from the Office of Management and Budget as to how the budget should be submitted, and also to make the distinction between those funds that are, in fact, restoration, and the program

increase that is an increase for additional equipment and supplies for our Salt Lake City Laboratory and our compliance office.

EFFECTS OF GRAMM-RUDMAN-HOLLINGS CUTS

Mr. NATCHER. The agency lost $9,353,000 and 42 staff years, as a result of Gramm-Rudman in 1986. Tell us what effect these cuts will have on the agency in 1986.

Mr. TYSON. Probably the greatest impact will be in the number of inspections that we anticipate that the agency will be able to conduct during fiscal year 1986. We believe that the reductions will reduce the number of inspections to about 65,000 this year.

In 1985, we did about 71,000 inspections, and this budget we are requesting today will allow us to get back up to the level of 71,000 inspections.

Mr. NATCHER. Do you have a hiring freeze in effect at this time?

Mr. TYSON. Yes, except for compliance officer positions.

Mr. NATCHER. Will it be necessary to furlough any employees?

Mr. TYSON. Mr. Chairman, as we now show our budget to meet the Gramm-Rudman-Hollings cuts, we may have to take a furlough of five days for the entire agency. But I assure you that I will take every action I can to prevent us from having to do that. There are a lot of uncertainties which will go into making the determination, but we are going to control everything we can. If we do have to take a furlough at all, it will be the shortest one possible.

Mr. NATCHER. Are you satisfied that your 1987 budget is fully adequate for the agency?

Mr. TYSON. Yes, sir.

INCREASE IN WORKPLACE INJURIES AND ILLNESSES

Mr. NATCHER. The BLS announced last fall that work-related injuries and illnesses increased in 1986 by 11.7 percent, the first increase since 1979. How do you account for this?

Mr. TYSON. I wish there was an easy answer to that. The increase in the rates alarmed and upset me, and also Secretary Brock, greatly. There are a number of factors we can point to which may explain part of that increase, not the least of which is the fact that during that year there was the greatest increase in employment that had occurred over the previous 10 years or so.

That probably accounts for some part of it, but I am not satisfied that it accounts for all of it. We are looking into that data in much more detail to see if we can find some of those answers, and we have made some program changes in the interim, anticipating what may have been the problem. It alarms me a great deal, and we are going to try to reverse that trend.

CHANGES IN ENFORCEMENT POLICY

Mr. NATCHER. Have you changed any of the agency's enforcement policies as a result of the large increase in injuries and illnesses?

Mr. TYSON. Two points in particular have been changed. One is, our high hazard targeting system based upon an analysis of

BLS data, and a selection of industries which have a higher than average incidence rate for injuries and illnesses.

We then try to target into those locations. Those are industry rates for an industrial classification, and don't give us indications of the specific rate for an individual company. So we do a records check whereby we first check the records of that establishment to determine the particular rate, and if that rate is better than the average, then we will suspend the inspection at that point.

I was concerned that the scheduling system, both the use of the records check and the failure to inspect those establishments that have a better than average rate, would, by its application, eliminate many firms from the likelihood of a general schedule inspection. As a result, some firms may feel comfortable that they are not going to have an OSHA inspection. So we changed our targeting system in two ways to make sure that every establishment, whether it is high hazard or not, has at least some chance of having a complete OSHA inspection.

Every 10th inspection, regardless of the records check result, will be a full inspection. We have added to the targeting list those industries within manufacturing which have a less than average incidence rate, and all of those firms in non-manufacturing.

Now, we are going to select randomly so every place has some chance of being inspected by an OSHA inspector.

EMPLOYMENT LEVELS

Mr. NATCHER. Mr. Tyson, how many employees do you currently have?

Mr. TYSON. Currently there are 2,170 employees on board.

Mr. NATCHER. Will that number remain about the same between now and the end of fiscal year 1987 under your budget proposal?

Mr. TYSON. It may be decreased by the end of the year.

Mr. NATCHER. How many compliance officers are on board?

Mr. TYSON. 1,096.

INSPECTION LEVELS

Mr. NATCHER. How many inspections will you do in 1987?

Mr. TYSON. We are conducting approximately 71,400.

Mr. NATCHER. What percentage of the total workplaces in the country does that number represent?

Mr. TYSON. I would say about 2 percent, Mr. Chairman. There are some 3 to 4 million workplaces in the country covered by Federal OSHA, and the States also conduct some 100,000 inspections. Their numbers need to be figured in here as well.

NATIONAL EMPHASIS PROGRAMS

Mr. NATCHER. Yes.

Mr. Tyson, you indicate on page 21 that a number of new national emphasis programs will be initiated in 1986.

Can you tell us a little about this, please?

Mr. TYSON. We will be continuing the special emphasis program that currently exists for asbestos, for which we anticipate a new

standard coming out soon. We will also be continuing special emphasis programs for grain elevators and fireworks manufacturing, the latter announced after an explosion in Oklahoma; and hazard communications because that standard went into effect in November covering chemical manufacturers, and will go into effect in May for the rest of manufacturing and trenching and excavation. We also plan to inspect over 100 hazardous waste sites in 1987, and the chemical industry in response to the tragedy in Bhopal, India and the leak in West Virginia.

HEALTH TARGETING SYSTEMS

Mr. NATCHER. What kind of a system do you use for targeting your health inspections?

Mr. TYSON. Through our history, we have used a number of different methods, none of which have proven to be very good.

What we are doing now is using data from previous inspection activity in specific SICs, and looking through our historical data, which we are now able to do with the improved information system that we have. We are able to determine in which SICs we encountered overexposures or violations to health standards in the past, and target into those SICs in the future.

HEALTH STANDARDS PROMULGATION

Mr. NATCHER. How does the agency decide which health hazards require a new standard? How do you make that decision?

Mr. TYSON. That is an extremely complex and difficult question to answer. Our agenda in many cases is set for us through judicial decree, and a number of standards that we have initiated action on recently are a result of court order. In addition, we have our own internal system for prioritizing.

For example, we get data from NIOSH which shows us what substances have the greatest potential for causing human health impairment. We then gather information as to the number of workers exposed to that substance and the levels to which they are exposed. Through our system, work on standards which involve the worst actors with the most employees exposed at the highest levels.

All of that data is very subjective, and it is a difficult judgment to make.

Mr. NATCHER. How many health standards were issued in the past year, Mr. Tyson?

Mr. TYSON. Two, I believe, Mr. Chairman—the cotton dust and coke oven emission standards.

Mr. NATCHER. What are the most significant ones currently being worked on?

Mr. TYSON. The asbestos standard is one which I hope to have out in final form within the next few weeks. I think that is a serious issue, and needs to be addressed.

We are also addressing the expansion of the scope of the hazard communication standard to cover those industries which are outside of manufacturing, because we think there are hazards there that need to be addressed.

Another one deals with leaks in the chemical industry, and the release of toxic substances. Those are probably the most important standards we will be working on.

FIELD SANITATION STANDARDS

Mr. NATCHER. Mr. Tyson, Secretary Brock has called on the States to adopt field sanitation standards for farm workers.

At what point will the agency review what the States have done and make a decision on the necessity of a Federal standard?

Mr. TYSON. We have a specific schedule laid out, and in a Federal Register notice published last October. It was specified that 18 months from that date an analysis would be made as to how well the States had done.

During that entire period of time, we will be assisting the States in their activities. We will also be assessing them.

Mr. NATCHER. How many States currently have such standards?

Mr. TYSON. Our understanding is that 13 currently have such standards. Seventeen States are working on them.

Mr. NATCHER. The exclusion that we put in our bill each year, do you have any trouble with that?

Mr. TYSON. That particular rider we do have problems with in this application, because it would impact upon our ability to address all of these issues.

Mr. NATCHER. Are all of the States' standards considered adequate?

Mr. TYSON. No, sir. We have to do an analysis of each one and we are going through that process now, but we know that there are a number of States' standards which will not meet the test.

For example, North Carolina, has a standard covering two of the three issues which must be covered. They would have to fill in that third piece.

NEGOTIATED RULEMAKING

Mr. NATCHER. Your justifications on page 17 mention the use of negotiated rulemaking procedures in developing occupational health standards.

What do you mean by that, Mr. Tyson?

Mr. TYSON. The idea of a negotiated rulemaking is an attempt to streamline and shorten the process of promulgating a final standard for a safety or health hazard, by getting the principal parties who are going to be involved with the process to sit down early on to try to come to a consensus on those issues where possible.

We attempted that with the benzene standard. In retrospect, we probably couldn't have picked a worse one, because benzene had a long history of litigation, and many problems and a lot of hard feelings on all sides.

We are attempting it now with MDA. We have talked to the parties who would be involved in negotiations, and they have all indicated an interest in doing so. We hope this process will speed up the regulation of the hazard.

Mr. NATCHER. Are you convinced that the idea of negotiating rulemakings is in compliance with the letter and the spirit of the law?

Mr. TYSON. Yes, sir, I believe it is. The negotiated rulemaking would only take place up to the point of a proposal. The negotiation would give us a proposed Federal Register notice, which would be published for public comment, and the agency would handle the issue internally from then on.

I do not think it takes away the authority of the Administrator, and it has the potential of making the whole process much shorter.

ALLOCATION FORMULA FOR STATE GRANTS

Mr. NATCHER. With respect to the States that operate their own programs under section 18 of the Act, have you made any progress during the past year in working out an allocation formula for those funds?

Mr. TYSON. We do have an allocation formula, primarily based upon either their expenditures or awards for previous years.

We tried different ideas on an allocation formula, and I met with the State designees and asked them to suggest to me ideas on how an allocation formula could work. They were unable to come up with anything.

Almost inevitably, it would require taking away from one State and giving to the other, and there was no way they could reach an agreement. So at the present time, we are still looking at that issue, but it is a very difficult one to try to resolve.

REVISION OF STATE BENCHMARK STAFFING LEVELS

Mr. NATCHER. How many States have now received final approval for their State programs?

Mr. TYSON. I believe it is 11, Mr. Chairman.

Mr. NATCHER. Have you now completed the process of revising the so-called benchmark staffing levels?

Mr. TYSON. We have done most of those, Mr. Chairman. There are still three States for which we have proposed changes to their benchmarks in the last month or so, but for most of the States, that process has been completed.

BUILT-IN INCREASES FOR STATE GRANTS

Mr. NATCHER. On page 8 of the justifications, you show a built-in increase of $1.9 million for State operational grants. What is that increase for, and how did you compute this amount?

Mr. TYSON. It is a percentage across-the-board increase for the total program, primarily for inflation.

Mr. NATCHER. What about the increase of $864,000 on page 9, for the consultation program?

Mr. TYSON. This is similarly computed, and covers costs needed to keep up with inflation. Bear in mind that for the last two years, I believe, Mr. Chairman, that program has not received even mandatory increases to meet inflationary expenses.

REPROGRAMMING FOR SPACE RENTAL PAYMENTS

Mr. NATCHER. Last year, as you will recall, Mr. Tyson, you sent up a reprogramming letter of nearly $1 million for space rental

payments to GSA. Why was your 1985 space rental estimate so far off? How did you miss it so bad?

Mr. TYSON. Good question.

Mr. NATCHER. What do you say about that?

Ms. WYRSCH. My best recollection regarding 1985, Mr. Chairman, is that when OSHA's figures were put into the total, we missed the increase that they should have had for 1985, and that is why OSHA had to do the reprogramming.

Mr. NATCHER. Do you feel confident about your 1986 and 1987 estimates?

Mr. TYSON. I feel confident, having missed it once, they will get it right this time.

Mr. NATCHER. Mr. Tyson, we want to thank you and your associates for appearing before our committee at this time in behalf of your budget request for OSHA for fiscal year 1987. It has been a good hearing, and thank you very much.

Mr. TYSON. Thank you, Mr. Chairman.

[The following questions were submitted to be answered for the record:]

GRAMM-RUDMAN REDUCTIONS

Mr. Conte: With the Gramm-Rudman reductions officially taking effect last Saturday, your budget request now shows an increase of more than $18 million over FY 1986. How much of that $18 million is requested to make up for the Gramm-Rudman reductions?

Mr. Tyson: The requested program increases include $9,071,000 to restore Gramm-Rudman reductions.

Mr. Conte: If we add that together with the $6.5 million for "built-in" increases you show in the budget, along with funds to make-up for the Section 515 withholdings, you're actually requesting only about $2 million in real increases from the FY 1986 appropriation level.

Mr. Tyson: Yes, sir, that is basically correct, but it ignores the hard choices made by the Administration in developing an FY 1987 budget that achieved a deficit estimate lower than that for FY 1986 while allowing an $18 million increase for OSHA. The essential fact is that an across-the-board cut reduced the FY 1986 OSHA budget by $9 million from the originally enacted level; a priority based budget found room for these essential safety and health activities.

Mr. Conte: Looking at your budget in this way, tell us which programs will be receiving actual increases from the FY 1986 appropriations level.

Mr. Tyson: In addition to the actual increase of $9 million to help assure the health and safety of the American worker, this budget includes requests for five other program increases. We are requesting $750,000 for the purchase of technical equipment needed to support compliance officers in their conduct of inspections. We are requesting $650,000 to purchase laboratory equipment and $200,000 for laboratory supplies to provide us with the capacity to identify and analyze complex samples. Finally, we are also requesting an increase of $159,000 for space rental and $160,000 for Departmental services provided through the Working Capital Fund.

SUMMARY OF THE 13th ANNUAL SURVEY

Mr. Conte: At this point in the record could you provide us with a summary of the findings of the 13th Annual Survey of Occupational Injuries and Illnesses?

Mr. Tyson: Work-related injuries and illnesses in private industry increased in 1984, according to the Bureau of Labor Statistics. Eight incidents of injury or illness were reported for every 100 full-time workers, a rate of 8.0 compared with an incidence rate of 7.6 in 1983. The number of injuries and illnesses increased to 5.4 million in 1984 from 4.9 million in 1983. This amounted to a one year increase of 11.7 percent.

In 1984, the number of incidences of injuries and illnesses serious enough to result in lost workdays was 3.7 per 100 workers, up from 3.4 in 1983. The number of workdays lost by such incidents averaged 63.4 per 100 full-time workers in 1984 and 58.5 in 1983.

The number of work-related deaths in 1984 is estimated at 3,740 in private industry establishments which had 11 or more employees. As in previous years, accidents on the road, with cars and trucks, acounted for more than one-fourth of all of these deaths. The remainder resulted from a variety of other causes, including heart attacks, falls, accidents with industrial vehicles, and electrocutions.

Job-related injuries occurred at a rate of 7.8 per 100 full-time workers in 1984. The injury rate, which had been in the double digit range a decade ago, dropped to 8.8 in 1975 and then rose to 9.2 in 1978 and 1979. The injury rate dropped steadily each year after that to a low of 7.5 in 1983 and then rose 0.3 point in 1984. The number of workers employed and the hours they worked varied from year to year as did the mix of experienced and inexperienced workers and the proportion of those employed in high and low-hazard industries.

INJURY AND ILLNESS STATISTICS

Mr. Conte: Can you tell us any thought you might have on why we are seeing increases in injuries at this time? It is all due to the general rise in employment?

Mr. Tyson: One of the reasons for the increases reflected in these data is the result of the economic recovery which occurred during 1984. The rise in employment of 4.2 million was the largest single year rise in employment since 1972. The result of this increase in the work force was a large number of workers in new jobs. Such workers are more likely to suffer an on the job injury than any other group. Nevertheless, OSHA is concerned about this one year rise, and has amended its targeting policies to attempt to address the problem.

Mr. Conte: Are the findings of this survey causing OSHA to review any of its procedures for insuring proper safety and health in the workplace?

Mr. Tyson: OSHA has amended some of its targeting policies and initiated three program changes. These are:

- Targeting some firms in all manufacturing industries for inspection instead of only those firms in high hazard industries.
- Inclusion of non-manufacturing firms in OSHA's targeting system.
- Conducting comprehensive inspections in every tenth manufacturing firm in high rate industries regardless of the firm's safety record.

OSHA believes these policy changes will make all employers conscious of the possibility of an OSHA inspection regardless of the type of industry and will contribute to a decrease in the injury rate statistics.

NUMBER OF INSPECTIONS

Mr. Conte: Under OSHA's enforcement activities you are proposing to conduct about 100 more health and safety inspections in FY 1987 than were conducted in FY 1985, while overall your staffing will actually be a little less. What sort of procedures are you undertaking to make this increase possible?

Mr. Tyson: The projected inspection level for FY 1987 essentially represents the same level of inspections performed in FY 1985. Staffing levels for compliance safety and health officers are the same in FY 1985 and FY 1987.

Mr. Conte: Are these inspections paper inspections or do they actually involve an on-site visit?

Mr. Tyson: All of these inspections involve an on-site visit.

Mr. Conte: Do you expect the number of requests for health inspections to increase due to worker concerns over such tragic and highly publicized accidents like the ones in India and Institute, West Virginia?

Mr. Tyson: Based on OSHA's past experience, we do not expect the number of requests for health inspections to significantly increase during FY 1987. OSHA received 1,653 requests for health inspections during the first quarter of FY 1986. This is almost identical to the 1,641 requests OSHA received during the same period in FY 1985. As a result of the chemical leaks at Union Carbide plants in Bhopal, India and Institute, West Virginia, and other reported incidents of workers being exposed to toxic chemicals and hazardous wastes, OSHA plans to increase the number of health inspections in FY 1987. OSHA plans to perform 650 more health inspections during FY 1987 than were performed during FY 1985.

PENALTY ASSESSMENTS

Mr. Conte: How much do you expect to collect in penalty assessments in FY 1986?

Mr. Tyson: OSHA expects to collect approximately $6,800,000 in penalties during FY 1986.

Mr. Conte: Will your collection efforts be reduced any because of Gramm-Rudman? If yes, can you tell us what this will translate into in terms of lost collections?

Mr. Tyson: The Gramm-Rudman cuts will result in a reduction in the number of inspections, thus there will be an attendant decrease in citations and assessment of penalties. The agency will continue to notify employers of debts, assess interest and additional charges mandated by the Debt Collection Act of 1982, and employ all the means available for the debt collection. We anticipate that any loss of collections as a result of the Gramm-Rudman reductions will be minimal.

STATE PLANS

Mr. Conte: How will the matching State grant program be affected by Gramm-Rudman this year? Do you expect any States to fail certification because of these cuts?

Mr. Tyson: The Gramm-Rudman-Hollings Deficit Reduction Act requires the agency to apply the same FY 1986 reductions of 4.3 percent to every non-exempt budget activity, program or project, including State plan grants. Therefore, the total FY 1986 grant funds for the 25 approved State plans were cut, effective March 1, to a reduced level of $50,741,000. Each State's FY 1986 grant was reduced by the same 4.3 percent factor.

Eleven of the 25 State plans have been granted final approval under section 18(e) of the Occupational Safety and Health Act of 1970, which among other requirements is dependent on the State plan maintaining sufficient allocated staff to meet its established compliance benchmarks. Although it seems evident that there will be a discernible effect on each State's overall program, including the 14 States operating under initial approval, we do not anticipate any problems occasioned by the FY 1986 Gramm-Rudman cuts that would jeopardize any State's approval status.

We have attempted to minimize the impact of the FY 1986 cuts on the States through prudent planning, by advising the States in advance of March 1 what their reduced grants would be, and by encouraging them to absorb the cuts to the greatest extent possible through administrative savings in order to spare essential enforcement staff and operations.

STATE PARTICIPATION IN IMIS

Mr. Conte: Can you tell us how the Integrated Management Information System works, and how many states will participate by the end of FY '86?

Mr. Tyson: Using field compliance forms with compatible definitions of data items (e.g. type of inspection, violation) Federal and State plan State compliance officers generate essential data for tracking enforcement activity, resource allocation, etc. The data is stored in OSHA's host computer and is used to produce a variety of management output reports.

In the near future, all participating offices will input data for the host computer directly from field locations via locally installed microcomputer systems. (Most Federal and participating State offices already have operational systems; the others mail completed forms to the National office for inputting, until micro installation.) The micros also perform a variety of other tasks, such as citation issuance, logging complaints, and tracking penalties.

Twenty-three of the 25 State plan States agreed to participate in IMIS; by the end of FY 1986 at least 22 should have operational systems.

ON-SITE CONSULTATION

Mr. Conte: How do you make employers aware of OSHA's services under the On-Site Consultation Programs?

Mr. Tyson: Promotion of consultation services is primarily an activity of each state program. The methods used, therefore, vary considerably depending on state needs. Some states, based on an established reputation and general acceptance in the business community, receive all the requests that their resources allow them to handle, with no promotion effort. Many states mail brochures to small employers, make presentations to local business groups, and place promotional notices within state trade association news letters and magazines. Some states rely in part on personal appearances by consultants at workplaces during which they explain the available services.

OSHA provides each state with an annual listing of high-hazard industries (based on state level BLS survey information) which is utilized to target the above promotional activities. Some states supplement the OSHA listing with establishment level data on injury rates (such as workers compensation cases) to further refine their promotion efforts. OSHA monitors state performance in meeting a major program objective, i.e., obtaining requests for assistance from, and affording priority to, those employees with smaller businesses whose establishments pose the greatest risk of injury or illness to workers.

OSHA aids in the promotion process by developing brochures and fact sheets describing the consultation program, contributing information for articles in national trade association publications, and making presentations at a variety of safety and business related meetings.

Mr. Conte: Have requests for training and assistance increased in recent years? Can you update for the record, the chart you provided me last year detailing employer requests for consultation visits by state?

Mr. Tyson: The regulation for the consultation program (29 CFR 1908) was revised in June 1984 to, among other things, enable consultants to provide employers and employees safety training where the hazard survey indicates a need, and to assist employers in developing or improving their safety and health program. The earliest data we have for these new program activities are for FY 1985 during which 2,045 training and assistance visits were conducted. We estimate that 3,350 training and assistance visits will be conducted during FY 1986.

The following table shows the number of initial visits conducted in Fiscal Years 1984 and 1985 and the number of backlogged requests on hand at the end of each year. For Fiscal Year 1986, an estimate of initial visits is provided along with the current backlog of requests.

The State Consultation Projects make an effort to control the backlog of employer requests by suggesting alternatives to consultation help. Some employers withdraw their requests because they cannot receive a visit in a timely fashion. State Consultation Projects estimate that 1,534 employers, or 14 percent of all requesting employers, withdrew their requests or decided not to make a request in the first five months of FY 1986 because of the waiting time for requested visits.

EMPLOYER REQUESTS for 7(c)(1) CONSULTATION VISITS

States	FY 1984		FY 1985		FY 1986	
	Initial Visits	Ending Backlog	Initial Visits	Ending Backlog	Initial Visits (est.)	Ending Backlog (2/28)
Alabama	563	184	503	68	352	68
Alaska	250	3	288	14	185	45
Arkansas	1,073	105	1,065	168	1,277	189
California	2,000	155	2,092	210	2,274	239
Colorado	182	27	158	49	140	59
Connecticut	338	20	411	26	363	17
Delaware	117	8	160	4	160	6
D.C.	305	0	327	3	310	2
Florida	2,179	0	2,127	186	1,880	44
Georgia	460	88	427	106	409	165
Guam	200	0	200	1	210	5
Hawaii	372	2	365	0	270	30
Idaho	150	3	140	15	160	24
Illinois	1,068	85	1,092	97	725	101
Iowa	328	136	349	121	400	120
Kansas	480	29	490	63	460	58
Maine	356	26	355	23	250	42
Maryland	565	20	460	23	500	62
Massachusetts	462	95	657	78	530	67
Michigan	754	27	810	38	878	41
Minnesota	308	32	362	36	355	46
Missouri	316	141	279	159	360	129
Mississippi	324	66	247	71	275	72
Montana	276	14	184	14	156	0
Nebraska	203	50	210	24	230	33
New Hampshire	29	7	153	3	180	3
New Jersey	545	140	509	115	600	138
New York	3,029	137	2,842	138	2,160	198
N. Carolina	1,294	0	1,204	106	580	91
North Dakota	55	20	86	35	100	5
Ohio	2,201	90	2,469	34	1,510	163
Oklahoma	726	210	540	297	529	228
Oregon	228	24	543	25	434	25
Pennsylvania	345	57	416	52	360	26
Rhode Island	311	33	254	32	330	61
S. Carolina	596	107	692	71	613	125
South Dakota	86	15	88	24	95	34
Tennessee	461	90	439	105	600	129
Texas	1,405	335	1,069	350	1,100	311
Utah	329	12	332	0	338	54
Vermont	186	3	329	2	157	0
Virginia	607	200	593	99	520	79
W. Virginia	1,592	16	1,296	0	1,875	0
Wisconsin	743	98	770	81	619	118
Wyoming	141	194	153	225	215	15
Totals	28,538	3,104	28,535	3,391	26,024	3,467

Mr. Conte: Do we know how well employers act in sharing information gained through this program with their employees?

Mr. Tyson: The consultation regulation requires that consultants encourage employers to have their employees participate in the consultation process. In addition, employers must agree to allow consultants to interview employees, if the need arises during the consultation visit. Consultation program data indicate that employees are present at the opening or closing conference in about 50 percent of initial visits. In about 65 percent of initial consultation visits, employees accompany the consultant during the walk-through to identify hazards. One or more employees are interviewed by the consultant during over 80 percent of initial visits. While we have no data on the numbers of employers who make the consultant's report available to employees, the above data suggest there is significant employee involvement in the consultation process and knowledge of consultant's findings.

Mr. Conte: Are any unions involved in the program?

Mr. Tyson: Consultation visits are made only at the request of employers. Priority is given to smaller establishments in high-hazard industries. Union representatives, themselves, cannot request consultation although there have been instances in which a union or labor/ management committee has encouraged an employer to request a consultative visit and the employer has agreed. When used in this manner, the consultation program may help resolve safety and health issues within a cooperative problem-solving framework. Our data indicate that approximately 25 percent of consultative visits are made at unionized worksites. We believe that union awareness and participation in consultation is significant within organized worksites.

NEW DIRECTIONS

Mr. Conte: How much are you requesting for the New Directions program in FY 1987?

Mr. Tyson: We are requesting $3.6 million for that program in FY 1987.

Mr. Conte: How many grantees will you be supporting?

Mr. Tyson: We will be supporting 41 grantees.

Mr. Conte: For the record, provide us with a list of the present grantees under the program.

Mr. Tyson: Following is a list of all current grantees:

LABOR ORGANIZATIONS

Building and Construction Trades Department, AFL-CIO

Food and Allied Service Trades Department, AFL-CIO

Federated Fire Fighters of California

International Brotherhood of Painters and Allied Trades

International Chemical Workers Union

International Longshoremen's and Warehousemen's Union

International Assoc. of Machinists and Aerospace Workers

International Brotherhood of Boilermakers, Iron Ship Builders, Blacksmiths, Forgers, and Helpers

International Union, UAW

Oil, Chemical and Atomic Workers International Union

United Rubber, Cork, Linoleum and Plastic Workers of America

AFL-CIO Appalachian Council

Public Employee Department, AFL-CIO

Colorado Building and Construction Trades Council

International Association of Fire Fighters

International Ladies' Garment Workers' Union

International Union of Operating Engineers

Montana State AFL-CIO

National Union of Hospital and Health Care Employees

Phoenix Building and Construction Trades Council

Teamster Local 2707

United Food and Commercial Workers International Union

United Furniture Workers of America

United Paperworkers International Union

International Molders and Allied Workers Union

West Central Illinois Bldg. and Construction Trades Council

Painters Joint Trade Board of New York City

Service Employees International Union

State Building and Construction Trades Council of Calif.

Texas Building and Construction Trades Council

Washington Building and Construction Trades Council

International Assoc. of Heat and Frost Insulators and Asbestos Workers

Maine AFL-CIO

North Dakota State Building and Construction Trades Council

American Federation of Grain Millers

Florida AFL-CIO United Labor Agency

Glass, Pottery, Plastics and Allied Workers International Union

Utility Workers Union of America

EMPLOYER ASSOCIATIONS

Associated General Contractors of Mid-Florida

Construction Employers' Assoc.

The Ohio Manufacturers' Assoc.

Pennsylvania Foundrymen's Association

American Public Works Assoc.

Eastern Contractors Assoc.

Grain Elevator and Processing Society

The Society of the Plastics Industry, Inc.

American Electronics Association

American Hospital Association

Associated Building Contractors of the Triple Cities

Associated General Contractors of California

National Asbestos Council

Building Trades Employers' Association

The Business Council of New York State

Georgia Branch, Associated General Contractors of America

Graphic Arts Association

Home Builders Institute

Kansas Electric Cooperatives

EDUCATIONAL INSTITUTIONS

Center for Labor Education and Research, University of Alabama

Center for Labor Research and Education, Institute of Industrial Relations, University of Calfornia, Berkeley

University of Houston

Bureau of Labor Education University of Maine

Institute for Labor Studies West Virginia University

Langston University

Department of Labor Studies The Pennsylvania State University

University of Oklahoma

Cooperative Extension Service West Virginia University

Center for Labor Research and Education, Institute of Industrial Relations, University of California, Los Angeles

OTHER NONPROFIT ORGANIZATIONS

American Labor Education Center

Congress of Workers and Consumers of Puerto Rico

Laborers-AGC Education and Training Fund

Maine Labor Group on Health

New Hampshire Safety Council

Maryland Committee on Occupational Safety and Health

Massachusetts Coalition for Occupational Safety and Health

Metro Area Training Consortium

Rhode Island Committee on Occupational Safety and Health

TRAINING INSTITUTE

Mr. Conte: Does OSHA presently operate a training institute similar to the one operated by the Mine Safety and Health Administration?

Mr. Tyson: OSHA operates the OSHA Training Institute located in Des Plaines, Illinois. The OSHA Training Institute differs from the MSHA Academy in that OSHA's focus is on short-term training of personnel in a wide variety of safety and health topics, while MSHA provides training which is more long-term in nature to personnel in the mining industry.

Mr. Conte: How much is requested in the budget for this Institute?

Mr. Tyson: In FY 1987, approximately $4,300,000 is requested for the OSHA Training Institute.

Mr. Conte: Do employers as well as the Agency's own staff use this facility?

Mr. Tyson: Yes, employers do receive training at the Institute.

Mr. Conte: And how are they assessed fees for its use?

Mr. Tyson: Private sector participants are charged tuition fees which are based on the hourly cost per student times the number of course hours.

Mr. Conte: How much do you expect to collect in outside fees in FY 1986?

Mr. Tyson: We estimate that we will collect approximately $100,000 for tuition costs in FY 1986.

SECRETARY'S MANAGEMENT GOAL

Mr. Roybal: I understand that, in response to a GAO report evaluating the Department's management effectiveness, the Secretary has adopted a new management plan and set as the Department's top goal improving the economic opportunity of American workers. This is to be achieved in part through emphasis on worker health and safety. The Secretary has also established a task force to study problems related to the rulemaking process.

How have these initiatives by the Secretary affected OSHA so far?

Mr. Tyson: OSHA has communicated the Secretary's goals to all OSHA employees to ensure an understanding of the Secretary's priorities. OSHA has also developed four agency supporting goals for FY 1986, each containing specific actions or milestones. These goals deal with: a new focus on occupational health issues, insuring the clarity and effectiveness of OSHA regulations, improving our coordination with EPA and NIOSH, and exploring the benefits of a national conference on safety and health. The milestones and scheduled dates for their completion will provide a finite measure of the extent to which the Secretary's goals are being met in FY 1986.

Mr. Roybal: What do you plan with regard to improving the rulemaking process, given these departmental priorities?

Mr. Tyson: OSHA has established an Agency objective for FY 1986 which will expedite the rulemaking process. Four actions have been planned for 1986. These are:

1. Developing a regulatory prioritization system to select, from existing standards, those that have a high potential for regulatory action.

2. Establishing a timeframe for completion of specific standards actions, from those standards identified by the prioritization system.

3. Reviewing standards and presenting them to the Department of Labor Planning Review Board (PRB).

4. Emphasizing the development and promulgation of generic and performance oriented standards.

Mr. Roybal: How do you envision meeting the supporting goals of the Secretary for achieving greater emphasis on health through redirection of standard promulgation, training, inspection, and administrative resources?

Mr. Tyson: In the past few years, occupational health issues have risen to the forefront of the public conscience. OSHA's program, traditionally safety oriented, has been evolving to be more health oriented. It is now time for top management to look at the overall application of OSHA's resources to ensure that they are being used both where they should be and how they should be to best address current and projected needs in the occupational health arena. Seven specific actions have been planned for 1986. These are:

1. Develop a comprehensive approach to use in dealing with chemical hazards in the workplace.

2. Develop a coordinated agency response to implement the hazard communication standard.

3. Revise the Field Operations Manual to provide comprehensive procedures/instructions for responding to industrial emergencies.

4. Develop methods to evaluate the effectiveness of enforcement efforts.

5. Develop indicators to measure OSHA's health activities and, where possible, their impact.

6. Revise enforcement strategy to encourage and emphasize health activity in the field, and assure hiring/retention of appropriate health professionals in OSHA.

7. Provide support to States and to Federal Agencies to assist them in reducing and eliminating health hazards.

Mr. Roybal: How do you envision meeting the supporting goals of the Secretary for reviewing existing OSHA regulations for clarity, effectiveness and impact on productivity?

Mr. Tyson: This is an ongoing effort within OSHA, as it should be, since every year we gain experience in the standards development process which contributes to improvements for the next year. Not only will we be working on this supporting goal, but OSHA will also have an objective to improve communication about the standards process and standards issues so that the Agency's constituency will have a better understanding of the regulations, their effect on worksite safety and health conditions and industrial productivity.

Mr. Roybal: How do you envision meeting the supporting goals of the Secretary for improving coordination with EPA and NIOSH?

Mr. Tyson: The activities of NIOSH, EPA and OSHA frequently impact each other. There are areas where the boundary between EPA's environmental health responsibilities and OSHA's occupational health duties cannot clearly be defined. NIOSH and OSHA share common enabling legislation, but differing responsibilities under the OSHA Act. Identifying a need to improve coordination provides an opportunity for EPA and NIOSH to join OSHA in ensuring coordinated delivery of services without the need for intervention from a fourth party. Following are the activities that have been planned for 1986:

1. Gain agreement on OSHA's nomination of chemicals for inclusion in EPA's Comprehensive Assessment Information Rule. (CAIR)

2. Complete a Memorandum of Understanding (MOU) with

EPA to establish consultative mechanisms during any EPA referrals of chemical substances to OSHA under §9(a) of the Toxic Substances Control Act.

3. Complete an exchange of letters between OSHA and EPA's Office of Pesticides & Toxic Substances establishing a program making OSHA's §7(c)(1) consultative services available to employers using arsenic-based wood preservatives.

4. Explore the benefits of establishing a standing workgroup or permanent OSHA-EPA-NIOSH interagency committee to discuss, on a regular basis issues of mutual concern or interest.

Mr. Roybal: Will the Office of Management and Budget have a direct role in the process of reviewing OSHA regulations? How much of OSHA's and the Department's resources are devoted to meeting existing OMB requirements with regard to OSHA rulemaking...including those of E.O. 12291 cost/benefit review and those E.O. 12498 regulatory planning process? (If you cannot give an overall estimate, give representative examples of recent OSHA rulemaking activities).

Mr. Tyson: The Office of Management and Budget (OMB) is charged with the responsibility of establishing Administration regulatory priorities and assuring that regulations provide the most protection at the least cost. As such, OMB does have a direct role in the OSHA regulatory review process. That role is spelled out in Executive Order 12498, Executive Order 12291, and the Paperwork Reduction Act of 1980.

In FY 1987, OSHA has budgeted $3.5 million for conducting regulatory impact analyses which assess the technical and economic feasibility and the likely costs and benefits of proposed regulations. These analyses are to meet the requirements of the Occupational Safety and Health Act as well as to meet the criteria set forth in Executive Order 12291 for assessing the need for and consequences of federal regulations.

Mr. Roybal: Last year, it was decided not to issue field sanitation standards for farmworkers, and instead to wait to adopt a federal rule if states did not take action on their own to adopt stringent rules.

What standards has OSHA developed against which to measure the adequacy of field sanitation standards in place in the various states?

Mr. Tyson: On October 21, 1985, OSHA published a Federal Register notice announcing the Secretary of Labor's decision that additional steps are needed to protect agricultural hand laborers from diseases associated with the inadequate provision of sanitary facilities and drinking water at their worksites. The notice also sets forth the following guidelines and procedures by which the adequacy of the States' responses to protect agricultural hand laborers would be evaluated:

1. States' standards must require the employer to supply drinking water, and to provide and

maintain handwashing and toilet facilities in the fields in a manner "at least as effective" as the Federal proposal.

2. To ensure compliance with their field sanitation standards, States also must develop adequate enforcement programs.

3. A sufficient number or States must establish an effective standard and enforcement program to assure that the "vast majority" of farm hand laborers working in the fields will be protected.

Mr. Roybal: What states at this time have standards as stringent or more stringent than the proposed federal standard that was abandoned by OSHA?

Mr. Tyson: At the time of the decision to afford the States an opportunity to take adequate action to protect farm hand laborers, in lieu of immediately issuing a Federal field sanitation standard, 13 States already had field sanitation standards in place and it is estimated that they were providing some coverage to 75 percent of the Nation's affected farm hand laborers. The crucial issue then, as now, was not how many States had standards more stringent than OSHA's March 1984 proposal, but rather that many States had shown considerable initiative in regulating sanitation in the agricultural fields.

A number of those State's standards, California's, New Jersey's, Oregon's, Illinois', and Florida's are in all but a few instances at least as stringent as the OSHA proposal and the Texas field sanitation standard is even more stringent than the OSHA proposal. In addition, 17 States are in the process of developing field sanitation standards.

OTA STUDY

Mr. Early: Has the Department formally refuted the findings of the OTA study on OSHA which reflected negative on several aspects of OSHA's activites:

Mr. Tyson: The OTA study is comprehensive, encompassing almost all aspects of OSHA operations. The Department developed no formal response to OTA as the various recommendations all call for Congressional rather than Departmental action. Nonetheless, OSHA has already begun action on many of recommendations that are within the agency's discretion. For example, OSHA continues to encourage employers to increase worker protection through participation in its Voluntary Protection Programs. The agency is also following other recommendations in the development of generic standards.

Mr. Early: An issue the OTA study raised was that the frequency of inspections was very poor and that the amount of fines imposed on violations were not appropriate. What new steps are being taken to better enforce OSHA standards and improve industry's compliance with these standards?

Mr. Tyson: While OSHA will never have the resources to inspect all of the nation's 5,000,000 workplaces, the agency has been able, despite budgetary restraints, to increase federal OSHA inspection activity from 57,000 inspections in FY 1981 to 71,303 in FY 1985. OSHA expects to maintain the FY 1985 level in FY 1987. Further, if inspections performed by states operating their own programs are included, OSHA visits over 185,000 worksites annually. This number is even more significant when considering that the agency targets its inspections to the most hazardous industries first, thereby increasing OSHA's presence in those places where most injuries are occurring.

To increase the likelihood of certain firms receiving a programmed inspection, OSHA instituted the following changes in its targeting policy in January 1986:

- Five percent of OSHA's programmed safety inspections in the manufacturing sector are now being conducted in industries with lost workday injury rates below the national average for all industries;

- An additional five percent of OSHA's programmed safety inspections are being directed to non-manufacturing firms in selected Standard Industrial Classification codes, some of which have lost workday injury rates higher than the national average.

- Inspections are now conducted in ten percent of firms in high-rate manufacturing categories even though those firms may have individual lost workday injury rates lower than the national average for manufacturing.

The effect of these changes will be to make firms in the above categories possible targets of OSHA programmed inspections and so reinforce the spot-check nature of the agency's inspection efforts.

With regard to the appropriateness of penalties, it is important to note that OSHA's emphasis is on abatement of hazards, rather than on penalties. With the adoption of the informal settlement policy in October 1980, the agency began to settle cases that otherwise might have been contested and would have required lengthy formal settlement before the Occupational Safety and Health Review Commission and the courts. When cases are contested, there is no requirement for employers to correct the hazards in their workplaces until the adjudicatory process has been completed, which could be a matter of years. Informal settlements, on the other hand, always require abatement of hazards by employers within a stipulated time period.

Mr. Early: The OTA study attributed the decline in workplace deaths and injuries between 1979 and 1983 to the economic recession and unemployment, and not to OSHA's efforts. Do you agree that these two factors played a significant role in the declining rates?

Mr. Tyson: OSHA agrees that the economic climate, including recession and unemployment, are linked to the injury rates. However, the overall injury rate trend since 1972 in clearly down. In 1972, BLS reported 10.5 injuries per 100 workers. In 1984, BLS reported that rate had dropped to 7.8, a decrease of 25 percent. It is important to note that during this time period the nation went through two complete recessionary/economic cycles. While OSHA agrees that it is possible economic factors influence the rates in the short term, in the long term, other factors such as the presence of OSHA may have a more lasting effect.

NEW DIRECTIONS PROGRAM

Mr. Early: I understand that the New Directions Grants program was to be restructed for the FY 1986 grant cycle, based somewhat on the conclusions of the Inspector General's report. Would you tell us what changes were made in the program? What changes, if any, are planned for FY 1987?

Mr. Tyson: In FY 1986 OSHA announced the availability of funds for a new round of New Directions grants. For the first time the scope of the program was limited to one or more of the following areas: (1) chemical industry; (2) chemical and toxic substances; (3) hazardous waste sites; and (4) new OSHA standards.

This change was initiated by OSHA and was not in response to the Inspector General's report. The report did not include specific recommendations. However, OIG staff felt the program could be improved if grantees were required to meet a minimum matching amount. This provision, with a waiver option at the Assistant Secretary's level, was incorporated into the requirements for the prospective Round IV grantees. No other changes are planned for FY 1987.

DEBT COLLECTION

Mr. Early: Has the Department fully implemented the recommendations made in the Inspector General's report concerning the aggressive collection of debts?

Mr. Tyson: We are in the process of implementing the recommendations of the Inspector General's report. To fully implement these

recommendations, however, OSHA must update and expand the capabilities of its present computerized information system to provide accurate and timely information on the status of individual employer accounts, assessments, and payments. OSHA is currently developing and implementing a comprehensive penalty accountability system as a sub-system of the agency's new Integrated Management Information System. The initial implementing and testing will be completed by the end of fiscal year 1986, and the system will be fully operational by the second quarter of fiscal year 1987. With this system in place, we will be able to fully implement the recommendations contained in the Inspector General's report and to comply fully with the requirements of the Debt Collection Act.

Mr. Early: What additional steps will be taken in FY 1987 to improve debt collection activities?

Mr. Tyson: We have implemented procedures for assessing interest, administrative costs, and additional fees on delinquent penalties. As I have indicated we are currently developing the additional procedures needed to fully implement the Debt Collection Act, including a comprehensive penalty accountability system as part of OSHA's new IMIS. By consolidating data on the status of individual employer debts, payments, and the actions being taken to collect these debts once they become delinquent, we will be able to centralize control over the disclosure of information on delinquent debts to credit reporting agencies, and to turn delinquent debts over to a debt collection agency for aggressive followup. Naturally, the accuracy of the information provided to these agencies, and prompt reporting of any changes in the status of these accounts as they occur, are very important.

STATE PLANS

Mr. Early: Why won't more States be participating in this program in FY 87? What are the disincentives to participating in this program?

Mr. Tyson: Several States are known to have recently considered the development and submission of State plans (in most cases limited in coverage to public employees of the State and its local subdivision) although none currently has submitted a plan for OSHA review. Budgetary constraints at both the State and Federal levels have proven to be a disincentive and impediment to States in obtaining the required legislative authority to establish a State plan and to OSHA in approving and funding any new State plan. OSHA cannot approve a new State plan unless Federal funding is available. In recent years, OSHA has not been able to fund the existing State plans at the operational levels they have requested. Thus, there are no funds available for new State plans.

FINAL SAFETY STANDARDS

Mr. Early: The justification shows that no final rules for safety standards were published in FY 1985, yet the FY 1986 estimate is 8 and the FY 1987 estimate is 9. Why do you think you'll be able to achieve these estimates when no final rules were published in 1985?

Mr. Tyson: OSHA underestimated the time required to publish in

the Federal Register several final safety standards for FY 1985. The FY 1986 estimate assumes most of the FY 1985 standards will be published in FY 1986, and that nine more final rules will be published in FY 1987.

FEDERAL INSPECTIONS

Mr. Early: Given the restoration of the Gramm-Rudman reductions in FY 1987, won't the increase in the number of federal inspections be only 97, as compared to the FY 1985 pre-Gramm-Rudman level? How was the estimated inspection level of 71,400 arrived at for FY 1987?

Mr. Tyson: The projected increase in the number of Federal inspections planned for FY 1987 is 97 more than the actual number of inspections conducted during FY 1985. The estimate for FY 1987 reflects devoting the FY 1985 level of staffing resources to enforcement.

Mr. Early: How severely will the reduction of 6,400 inspections in FY 1986 due to the Gramm-Rudman reductions impact the health and safety of this country's workers?

Mr. Tyson: As as result of the Gramm-Rudman reductions, OSHA's federal enforcement activity will provide coverage to 3,000,000 employees. This is a reduction of 500,000 from the original FY 1986 estimate.

INSPECTION TARGETING

Mr. Early: How do you plan to better target resources to the high hazard industries?

Mr. Tyson: OSHA believes that it has an excellent system for targeting its safety inspections into the high hazard industries and is continuing to develop programs to improve its targeting systems for health inspections.

In response to public expressions of concern which followed the chemical leaks at Union Carbide plants in Bhopal, India and Institute, West Virginia, and other reported incidents of workers being exposed to toxic chemicals and hazardous wastes, OSHA intends to increase the number of health inspections for FY 1987. The major effect will be an increase in the number of special emphasis inspections, particularly in the chemical industry and inspections of hazardous waste sites. Nationally, approximately 2,400 special emphasis investigations will focus on the handling of hazardous chemicals, hazardous waste sites, exposure to asbestos fibers, the use of swinging scaffolds, trenching and excavation operations, grain elevators and fireworks manufacturing. Another 1,600 inspections will reflect an emphasis on local safety and health problems in particular regions and areas, such as cotton dust inspections, oil and gas well drilling, lead smelters, and floating seafood processors.

Programmed, high hazard inspections will account for nearly four-fifths of all inspections in FY 1987. The number of inspections resulting from employees' complaints alleging unsafe and unhealthful working conditions, and from accidents, is expected to remain basically unchanged from previous years.

IMIS

Mr. Early: Is the installation and implementation of the Integrated Management Information System on schedule?

Mr. Tyson: The installation and implementation of the Integrated Management Information System is on schedule. Installation has been completed in all but two federal regions; these will be completed before the end of the fiscal year.

Mr. Early: Which two states will join IMIS in FY 1986, and what other States are expected to join at a later date?

Mr. Tyson: New York joined the IMIS at the beginning of FY 1986; California is expected to participate by the end of FY 1986. It is hoped that Washington and Michigan will agree to join in the near future.

EFFECTS OF GRAMM-RUDMAN

Mr. Dwyer: According to your justification, as a result of the Gramm-Rudman legislation, OSHA will conduct 6,400 fewer inspections in 1986 than were originally planned. How do you set priorities and determine where these reductions will take place?

Mr. Tyson: The primary impact of the reduction of 6,400 inspections will be in the number of programmed safety inspections conducted in less hazardous industries. These reductions reflect OSHA's program priorities in FY 1986. During FY 1986, OSHA will conduct an increased number of inspections for health hazards, and a number of new national and local emphasis programs will be initiated. A national emphasis program for all fireworks manufacturing plants with ten or more employees will be implemented and OSHA will schedule safety and health inspections of hazardous waste sites. Because of the continuing incidence of trenching and excavation collapses, OSHA has initiated a national emphasis program for these activities.

A pilot program has also been initiated in four regions focusing on inspections in the chemical industry. Chemical manufacturers that process the most toxic and reactive chemicals have been targeted. These inspections are expected to require more resources because of their complexity.

The number of inspections resulting from employee complaints alleging unsafe and unhealthful working conditions and the number resulting from an accident are expected to remain basically unchanged from previous years.

OCCUPATIONAL ILLNESSES

Mr. Dwyer: Bureau of Labor Statistics data indicate that skin diseases and hearing disorders account for 3 of 5 recorded illnesses. In what ways is OSHA working to reduce the incidence of these particular conditions in the workplace.

Mr. Tyson: In November 1985, The OSHA Hazard Communication Standard became effective. This standard requires all employers in the manufacturing sector to assess the hazards of all chemicals they manufacture or import, and to properly label all containers that are used in the downstream manufacturing process. Additionally, manufacturers are required to make available Material Safety Data Sheets (MSDS) to all employees using these chemicals. MSDS's contain information about the nature of the chemical hazard, descriptions of the type of illnesses that can occur, and instructions about what to do in case of accidental exposure. OSHA believes that the Hazard Communication Standard will have a significant effect on reducing skin diseases in American workers, as well as protect them from contracting other, more chronic health disorders.

With regard to hearing loss, OSHA vigorously enforces its noise regulations, as well as the Hearing Conservation Amendment to the noise standard. The Amendment requires employers who have high noise levels to give annual hearing examinations to their employees. Those employees who show hearing loss must be fitted with hearing protection equipment, as well as be given instruction in proper use of these devices.

The noise standard is one of the most frequently cited by OSHA. In addition, OSHA cross-trains many of its safety compliance staff to monitor workplace noise conditions. These cross-trained employees supplement the agency's industrial hygienists, who spend considerable portions of their enforcement efforts on noise related issues.

The agency believes these concerted efforts will have an impact in the long-term on the reduction of these frequently occurring illnesses.

Mr. Dwyer: Your justification notes that the data on occupational illnesses does not adequately reflect chronic illnesses which take a long time to develop. What plans does your agency have to address this particular problem?

Mr. Tyson: The Bureau of Labor Statistics has contracted with the National Academy of Sciences to conduct a study of the Occupational illness problem. This study will be completed in mid-1987. BLS has also conducted a symposium on the reporting of Occupational illnesses. Both of these efforts are attempts to draw together expert people in the relevant technical areas to identify directions which BLS might follow to obtain better illness data. This is part of a process to rethink the whole area of occupational illness and establish new methodology to obtain improved illness data. OSHA supports these efforts and will work to implement the recommendations of these groups.

SPECIAL EMPHASIS PROGRAM

Mr. Dwyer: Now that OSHA has begun a Special Emphasis Program to assess worker hazards at 100 of the nation's worst toxic waste sites, when do you foresee the development of a full OSHA standard in this area?

Mr. Tyson: OSHA believes that the applicability of existing construction and general industry standards to hazardous waste sites provides an adequate basis to protect employees at those sites.

Mr. Dwyer: Please provide the Committee with a brief status report on your Special Emphasis Program for the chemical industry. After the reviews in the pilot areas are completed, how do you intend to use and disseminate the findings?

Mr. Tyson: The Chemical Industry Special Emphasis Program is now underway. Compliance Officers were trained beginning in November, and inspections began in January. Eighty firms will be inspected by September 30, when the program will end. Inspections are conducted using two-member teams, and at present, inspection time is typically four to five weeks. Early findings will be reported in May while a final report of a more general nature will be completed when the program ends.

DEBT COLLECTION

Mr. Dwyer: Your justification mentions increased activity in the area of debt collection, with the possiblity of using more aggressive procedures to collect delinquent penalty payments. What

is the level of your outstanding debt, and how would you assess the record of industries in paying fines levied on them by OSHA?

Mr. Tyson: OSHA's outstanding debt, based on penalties assessed through the first quarter of fiscal year 1986, is approximately $6.8 million. Of this amount, approximately $3.9 million is under contest and therefore not collectable. For inspections conducted during the three most recent fiscal years, 1983 through 1985, 76 percent of the penalties assessed were collected and five percent were waived or written off as not collectable. Of the outstanding balance for these three years, 55 percent is currently contested. Thus, the outstanding debt that is actually due and payable is only two percent of the penalty amounts assessed during fiscal year 1983, five percent of the penalties assessed during fiscal year 1984, and--currently--16 percent of the penalties assessed during fiscal year 1985.

We do not at present have any studies showing the record of individual industries in paying penalties assessed by OSHA.

MARYLAND STATE PLAN

Mr. Hoyer: Last year, Mr. Rowland testified that the Maryland's Job Safety and Health Program would receive final approval sometime around June of last year. Has the Maryland plan been granted final approval as of today?

Mr. Tyson: On July 18, 1985, the Maryland State occupational safety and health plan was granted final approval under Section 18(e) of the Act. On that date Governor Harry Hughes and I participated in a formal signing ceremony in the State Capitol at Annapolis.

Mr. Hoyer: How has this changed the current safety inspection climate in Maryland?

Mr. Tyson: By granting the Maryland State plan final approval, OSHA officially recognized that the State was providing effective protection to the working men and women of Maryland and relinquished authority for concurrent Federal enforcement jurisdiction. While it is difficult to quantitatively assess the impact of final plan approval upon the inspection climate within a State, monitoring data of State enforcement activity since July 1985 indicate that the Maryland program continues to provide workers within the State with effective workplace protection.

REGULATORY AGENDA

Mr. Hoyer: In a few instances, the term current regulatory agenda is used. What does this mean? And how will it change or alter your enforcement activities?

Mr. Tyson: As used in the budget submission, the term current regulatory agenda refers to the Executive Order requirement to publish an agenda of regulatory activity the agency has under consideration for action. This publication is required by the Regulatory Flexibility Act of 1980 and Executive Order 12291. The Office of Management and Budget publishes the agenda in the Federal Register in April and October of each year. Since the regulatory agenda affects only that part of the agency involved in rulemaking, it should not affect enforcement activities in any way.

EMPLOYEE COMPLAINTS

Mr. Hoyer: I talked with Mr. Rowland last year about employee complaints. It was expected that the FY '86 level would be around 7,000. What do you expect for FY '87?

Mr. Tyson: We expect that the level of employee complaints will be around 8,600 for FY '87.

SDS DATA

Mr. Hoyer: As I understand it, the SDS system provides information on injuries to workers. Is this correct?

Mr. Tyson: Yes, the SDS system provides OSHA with descriptive information on how workers are injured by industry, occupation, nature of injury, and source of injury. The absolute totals and counts are not as important in using the SDS data as the substantive information provided since not all states provide information to the system.

Mr. Hoyer: It appears that this year the number of cases included in the SDS was reduced due to the elimination of State and local public service employees and cases involving medical treatment with no lost work days. Why was this done?

Mr. Tyson: The SDS system as administered by BLS provides grants to the state statistical agencies which process their state's worker compensation data. Thirty to thirty-five states have participated in the program. Since the laws which establish the rules for workers' compensation vary from state to state, the data collected for each state is different.

SDS provides for uniformity of the data for data processing purposes. The codes and the definitions used for SDS by each state to code the data are the same. The file format is also the same.

Not all states include their public sector workers in their worker compensation system. In order to maintain the program within current cost limitations the coding of certain cases was given up to provide for the coding of those cases which are of a more serious nature. These cases are also the ones which are collected in all states and the cases which are of most interest to Federal OSHA. The data for 1985 will reflect this change.

OCCUPATIONAL SAFETY AND HEALTH ADMINISTRATION

SALARIES AND EXPENSES

	Page No.
Appropriation language and explanation of language change	1
Analysis of appropriation language	5
Amounts available for obligation	6
Summary of changes	7
Obligations by activity	10
Obligations by object	11
Significant items in FY 1986 House and Senate Appropriations Committees Reports	12
Authorizing legislation	13
Appropriation history	14
Justification:	
Appropriation	15
General statement	15
Activities:	
Safety and health standards	16
Enforcement:	
Federal enforcement	20
State programs	23
Technical support	27
Compliance assistance	31
Safety and health statistics	37
Executive direction and administration	42
State tables	46
Advisory and Assistance Services	48
Detail of permanent positions	50

OCCUPATIONAL SAFETY AND HEALTH ADMINISTRATION

SALARIES AND EXPENSES

For necessary expenses for the Occupational Safety and Health Administration, [$218,045,000] *$225,811,000,* including not to exceed [$53,021,000] *$54,921,000,* which shall be the maximum amount available for grants to States under section 23(g) of the Occupational Safety and Health Act, which grants shall be no less than fifty percent of the costs of State occupational safety and health programs required to be incurred under plans approved by the Secretary under section 18 of the Occupational Safety and Health Act of 1970: *Provided,* That none of the funds appropriated under this paragraph shall be obligated or expended for the assessment of civil penalties issued for first instance violations of any standard, rule, or regulation promulgated under the Occupational Safety and Health Act of 1970 (other than serious, willful, or repeated violations under section 17 of the Act) resulting from the inspection of any establishment or workplace subject to the Act, unless such establishment or workplace is cited, on the basis of such inspection, for ten or more violations: *[Provided further,* That none of the funds appropriated under this paragraph shall be obligated or expended to prescribe, issue, administer, or enforce any standard, rule, regulation, or order under the Occupational Safety and Health Act of 1970 which is applicable to any person who is engaged in a farming operation which does not maintain a temporary labor camp and employs ten or fewer employees: 1/ *Provided further,* That none of the funds appropriated under this paragraph shall be obligated or expended to prescribe, issue, administer, or enforce any standard, rule, regulation, order or administrative action under the Occupational Safety and Health Act of 1970 affecting any work activity by reason of recreational hunting, shooting, or fishing: 2/ *Provided further,* That no funds appropriated under this paragraph shall be obligated or expended to administer or enforce any standard, rule, regulation, or order under the Occupational Safety and Health Act of 1970 with respect to any employer of ten or fewer employees who is included within a category having an occupational injury lost work day case rate, at the most precise Standard Industrial Classification Code for which such data are published, less than the national average rate as such rates are most recently published by the Secretary, acting through the

OSHA-2

Bureau of Labor Statistics, in accordance with section 24 of that Act (29 U.S.C. 673), except--

(1) to provide, as authorized by such Act, consultation, technical assistance, educational and training services, and to conduct surveys and studies;

(2) to conduct an inspection or investigation in response to an employee complaint, to issue a citation for violations found during such inspection, and to assess a penalty for violations which are not corrected within a reasonable abatement period and for any willful violations found;

(3) to take any action authorized by such Act with respect to imminent dangers;

(4) to take any action authorized by such Act with respect to health hazards;

(5) to take any action authorized by such Act with respect to a report of an employment accident which is fatal to one or more employees or which results in hospitalization of five or more employees, and to take any action pursuant to such investigation authorized by such Act; and

(6) to take any action authorized by such Act with respect to complaints of discrimination against employees for exercising rights under such Act:

Provided further, That the foregoing proviso shall not apply to any person who is engaged in a farming operation which does not maintain a temporary labor camp and employs ten or fewer employees:] 3/ *Provided further,* That none of the funds appropriated under this paragraph shall be obligated or expended for the proposal or assessment of any civil penalties for the violation or alleged violation by an employer of ten or fewer employees of any standard, rule, regulation, or order promulgated under the Occupational Safety and Health Act of 1970 (other than serious, willful or repeated violations and violations which pose imminent danger under section 13 of the Act) if, prior to the inspection which gives rise to the alleged violation, the employer cited has (1) voluntarily requested consultation under a program operated pursuant to section 7(c)(1) or section 18 of the Occupational Safety and Health Act of 1970 or from a private consultative source approved by the Administration and (2) had the consultant examine the condition cited and (3) made or is in the process of making a reasonable good faith effort to eliminate the hazard created by the condition cited as such, which was identified by the aforementioned

consultant, unless changing circumstances or workplace conditions render inapplicable the advice obtained from such consultants [: *Provided further*, That none of the funds appropriated under this paragraph may be obligated or expended for any State plan monitoring visit by the Secretary of Labor under section 18 of the Occupational Safety and Health Act of 1970, of any factory, plant, establishment, construction site, or other area, workplace or environment where such a workplace or environment has been inspected by an employee of a State acting pursuant to section 18 of such Act within the six months preceding such inspection: *Provided further*, That this limitation does not prohibit the Secretary of Labor from conducting such monitoring visit at the time and place of an inspection by an employee of a State acting pursuant to section 18 of such Act, or in order to investigate a complaint about State program administration including a failure to respond to a worker complaint regarding a violation of such Act, or in order to investigate a discrimination complaint under section 11(c) of such Act, or as part of a special study monitoring program, or to investigate a fatality or catastrophe: 4/ *Provided further*, That none of the funds appropriated under this paragraph may be obligated or expended for the inspection, investigation, or enforcement of any activity occurring on the Outer Continental Shelf which exceeds the authority granted to the Occupational Safety and Health Administration by any provision of the Outer Continental Shelf Lands Act, or the Outer Continental Shelf Lands Act Amendments of 1978]. 5/

29 U.S.C. 651 et seq.; 33 U.S.C. 941 et seq.; 40 U.S.C. 333 et seq.; 41 U.S.C. 35 et seq.; 351 et seq.; Department of Labor Appropriation Act, 1986.)

OSHA-4

EXPLANATION OF LANGUAGE CHANGE

1/. The exemption for small farming operations excludes a large segment of workers from OSHA coverage. The provision exempts 97 percent of the nation's farms and 56 percent of all farm workers (more than one million persons) from the Act's protection. Currently, agriculture has the highest lost workday injury rate of any major industry group other than construction.

2/. The recreational hunting, shooting, or fishing amendment resulted from an incident that was perceived to represent agency policy. OSHA has no such policy or intent. Moreover, the amendment is so narrow as to have almost no application.

3/. The exemption from general schedule safety inspections for small firms in industry classifications having a lost workday injury rate less than the national average is unnecessary in view of OSHA's current enforcement practices, which preclude inspections of this type. Moreover, this restriction limits the agency's flexibility to focus inspection resources on individual workplaces with the poorest safety records.

4/. The restriction on spot-check monitoring visits of firms inspected by a State Inspector within the previous six months precludes the use of a monitoring tool which cannot be duplicated by other means. Under section 18 of the Occupational Safety and Health Act, OSHA is required to evaluate State operations for which it provides 50 percent funding. The Federal presence has been substantially reduced in these States. Currently, the monitoring activity consists mainly of reviewing and evaluating data on State program operations. When first-hand evaluations are needed, however, spot-check visits take less than one-half the time required for a joint inspection. Spot-check visits do not result in double jeopardy since citations are not issued, and only serious violations are referred to either State or Federal OSHA inspectors for a subsequent inspection.

5/. The restriction on agency activities on the Outer Continental Shelf is not needed to prevent regulatory overlaps. In December 1979, OSHA and the Coast Guard signed a Memorandum of Understanding which establishes clear enforcement procedures for workplaces on the Outer Continental Shelf, minimizing the need for OSHA's presence.

ANALYSIS OF APPROPRIATION LANGUAGE

OSHA-5

Language Provision	Explanation
"... including not to exceed [$53,021,000] *$54,921,000,* which shall be the maximum amount available for grants to States under section 23(g) of the Occupational Safety and Health Act, which grants shall be no less than fifty percent of the costs of State occupational safety and health programs required to be incurred under plans approved by the Secretary under section 18 of the Occupational Safety and Health Act of 1970:"	This appropriation language establishes an overall limit on 50 percent matching grants to states for approved occupational safety and health compliance programs. The language ensures that states administering and enforcing state programs under plans approved by the Secretary shall not be required to expend from their own funds more than an amount equal to the grants provided by this appropriation.
"... *Provided,* That none of the funds appropriated under this paragraph shall be obligated or expended for the assessment of civil penalties issued for first instance violations of any standard, rule, or regulation promulgated under the Occupational Safety and Health Act of 1970 (other than serious, willful, or repeated violations under section 17 of the Act) resulting from the inspection of any establishment or workplace subject to the Act, unless such establishment or workplace is cited, on the basis of such inspection, for ten or more violations:"	This language was initially added by Congress to the 1977 appropriation, and has been reenacted in subsequent years. The agency agrees that employers should not be penalized for isolated first instance violations (other than serious, willful or repeat violations). Moreover, OSHA's administrative procedures for proposing penalties take into account the employer's good faith, previous violation history, and size of business, permitting reductions in gravity-based penalties of up to eighty percent.
"... *Provided further,* That none of the funds appropriated under this paragraph shall be obligated or expended for the proposal or assessment of any civil penalties for the violation or alleged violation by an employer of ten or fewer employees of any standard, rule, regulation, or order promulgated under the Occupational Safety and Health Act of 1970 (other than serious, willful or repeated violations and violations which pose imminent danger under section 13 of the Act) if, prior to the inspection which gives rise to the alleged violation, the employer cited has (1) voluntarily requested consultation under a program operated pursuant to section 7(c)(1) or section 18 of the Occupational Safety and Health Act of 1970 or from a private consultative source approved by the Administration and (2) had the consultant examine the condition cited and (3) made or is in the process of making a reasonable good faith effort to eliminate the hazard created by the condition cited as such, which was identified by the aforementioned consultant, unless changing circumstances or workplace conditions render inapplicable the advice obtained from such consultants:"	This language was added by Congress to the 1979 appropriation (Dole amendment) The agency recognizes the importance of consultation in fostering compliance with the Occupational Safety and Health Act, and therefore is not opposed to restricting penalties for small business employers who have obtained and are following the recommendations of an approved consultant. Based on the results of an experimental program in two regions, the agency initiated a program allowing employers an exemption from scheduled safety inspections for one year after a successful consultation if all serious hazards identified by the consultant are corrected, and the employer has established an effective in-house safety and health program.

59-364 O - 86 - 22

OSHA-6

AMOUNTS AVAILABLE FOR OBLIGATION

	1985		1986		1987	
	FTE	Amount	FTE	Amount	FTE	Amount
Appropriation	2,251	$219,652,000	2,216	$218,045,000	2,208	$225,811,000
Sequestered under P.L.99-177	—	—	-42	-9,353,000	—	—
Revised Appropriation			2,174	$208,692,000		
A. Subtotal, appropriation	2,251	$219,652,000	2,174	$208,692,000	2,208	$225,811,000
Comparative tnuansfer to:						
Departmental Management (DM)	-8	-399,000	-8	-405,000		
National Capital Service Center	-5	—				
Unobligated balance lapsing due to Section 515 withholding 1/			—	-533,000		
B. Total, Available Budget Authority	2,238	$219,253,000	2,166	$207,754,000	2,208	$225,811,000
C. Total estimated Obligations	2,238	$ 219,253,000	2,166	$207,754,000	2,208	$225,811,000

1/ Withheld from obligations pursuant to Section 515 of the Treasury, Postal Service, and General Government Appropriations Act as referenced in the full year Continuing Resolution for 1986, P.L. 99-190.

OSHA-7

SUMMARY OF CHANGES

	1986	1987	Net Change
Estimated Obligations:			
General Funds	$207,754,000	$225,811 000	$18,057,000
Full-time Equivalent:			
General Funds	2,166	2,208	+42

Explanation of Change:	General Funds FTE.	General Funds Amount
	+42	+$18,057,000
Increases:		
A. Built in:		
Net cost of within grade promotions effective in 1986	—	+$400,000
Net cost of within grade promotions effective in 1987	—	+539,000
To provide for career ladder promotions	—	+86,000
To provide for tax liability costs of PCS moves	—	+400,000
To provide for FICA Taxes	—	+50,000
To provide for increased contributions to Federal Employee's Compensation Fund	—	+529,000
To provide for increased costs of travel	—	+250,000
To provide for increased costs of transportation of things	—	+18,000
To provide for increased costs for utilities, communications and other rent	—	+136,000
To provide for increased costs of rent to GSA	—	+300,000
To provide for increased costs of printing	—	+40,000
To provide for increased costs of the Working Capital Fund	—	+244,000
To provide for increased costs for IMIS services	—	+174,000
To provide for increased costs of the BLS reimbursable program	—	+143,000
To provide for increased costs of BLS State cooperative agreements	—	+24,000
To provide for increased costs of the Consultation program	—	+864,000

OSHA-8

	General Funds FTE	General Funds Amount
To provide for increased costs for other services.....	—	+$146,000
To provide for increased costs of supplies.....	—	+65,000
To provide for increased costs of equipment.....	—	+83,000
To provide for increased costs of State operational grants....	—	+1,900,000
To provice for increased costs of State statistical grants....	—	+143,000
Subtotal	—	+6,534,000
B. Program		
To restore the amount withdrawn from obligation for advisory and assistance services pursuant to P.L. 99-190..... (FY 1986 Base: Budget Authority $3,679,000)	—	+533,000
To provide for an increase for standards development and promulgation..... (FY 1986 Base: FTE 89 Budget Authority $5,141,000)	+2	+263,000
To provide for an increase for federal safety and health enforcement..... (FY 1986 Base: FTE 1,733 Budget Authority $75,011,000)	+33	+4,511,000
To provide for an increase for OSHA State operational grants to support 3,100 previously planned inspections..... (FY 1986 Base: Budget Authority $52,641,000)	—	+2,280,000
To provide for an increase for technical support activities... (FY 1986 Base: FTE 134 Budget Authority $11,270,000)	+3	+1,436,000
To provide for an increase for compliance assistance activities..... (FY 1986 Base: FTE 103 Budget Authority $6,789,000)	+2	73,000
To provide for an increase for statistical activities..... (FY 1986 Base: FTE 49 Budget Authority $13,153,000)	+1	+604,000
To provide for an increase for adequate administrative support..... (FY 1986 Base: FTE 58 Budget Authority $4,545,000)	+1	+205,000
To provide for an increase for the Consultation program to eliminate a backlog of requests..... (FY 1986 Base: Budget Authority $23,211,000)	—	+1,003,000
To provide for an increase for New Directions grants to maintain scheduled program levels for grantees..... (FY 1986 Base: Budget Authority $3,475,000)	—	+125,000

	General Funds	
	FTE	Amount
To provide for an increase for BLS State statistical grants grants to ensure timely collection and processing of data.. (FY 1986 Base: Budget Authority $3,950,000)	—	+171,000
To provide for an increase in rental payments to GSA..... (FY 1986 Base: Budget Authority $7,116,000)	—	+159,000
To provide for an increase for Departmental administrative and support services..... (FY 1986 Base: Budget Authority $8,127,000)	—	+160,000
Subtotal.....	+42	11,523,000
Total Increase.....	+42	18,057,000
Total Change.....	+42	$18,057,000

BUDGET AUTHORITY BY ACTIVITY

Budget Authority applied to General Funds :	1985 Comparable FTE.	1985 Comparable Amount	1986 Appropriation FTE.	1986 Appropriation Amount	1986 1/ Estimate FTE.	1986 1/ Estimate Amount	1987 Estimate FTE.	1987 Estimate Amount	Change FTE.	Change Amount
1. Safety and Health standards.....	91	$6,030,000	91	$6,161,000	89	$5,576,000	91	6,011,000	+2	435,000
2. Enforcement:										
a. Federal enforcement.....	1,772	83,798,000	1,766	87,043,000	1,733	82,984,000	1,766	90,198,000	+33	7,214,000
b. State programs.....	--	53,021,000	--	53,021,000	--	50,741,000	--	54,921,000	--	4,180,000
3. Technical support.....	143	12,320,000	144	14,029,000	134	12,547,000	137	14,658,000	+3	2,111,000
4. Compliance assistance.....	111	36,981,000	105	34,968,000	103	33,713,000	105	36,040,000	+2	2,327,000
5. Safety and health statistics.....	50	20,856,000	50	18,013,000	49	17,200,000	50	18,609,000	+1	1,409,000
6. Executive direction and administration...	71	5,247,000	60	4,810,000	58	4,993,000	59	5,374,000	+1	381,000
Total Budget Authority....	2,238	$219,253,000	2,216	$218,043,000	2,166	$207,754,000	2,208	225,811,000	+42	18,057,000

1/ Included in 1986 estimate above:

	1986
Sequestered under P.L. 99-177	$9,353,000 and 42 FTE
Withdrawal pursuant to P.L. 99-190	533,000
Comparative transfer to DM	405,000 and 8 FTE

BUDGET AUTHORITY BY OBJECT

OSHA-11

	1985 Comparable	1986 Estimate	1987 Estimate
Total number of full-time permanent positions	2,306	2,299	2,299
Full-time equivalent:			
Full-time in permanent positions	2,225	2,140	2,182
Other positions	26	26	26
Total	2,251	2,166	2,208
Average ES salary	$65,398	$66,469	$66,322
Average GM/GS grade	10.38	10.40	10.40
Average GM/GS salary	$32,325	$31,938	$33,302
Average salary of ungraded positions	---	---	---
Personnel compensation:			
Permanent positions	$72,223,000	$68,647,000	$74,208,000
Positions other than permanent	415,000	408,000	429,000
Other personnel compensation	515,000	1,141,000	876,000
Subtotal, personnel compensation	73,574,000	70,196,000	75,513,000
Personnel benefits	9,553,000	10,234,000	11,533,000
Benefits for former personnel	---	---	---
Travel and transportation of persons	6,695,000	6,757,000	7,012,000
Transportation of things	352,000	440,000	458,000
Standard Level User Charges	6,831,000	5,822,000	7,275,000
Communications, utilities, and other rents	3,410,000	3,236,000	3,382,000
Printing and reproduction	898,000	943,000	983,000
Other services 1/	49,543,000	50,167,000	51,281,000
Supplies and materials	1,371,000	1,551,000	1,822,000
Equipment	4,221,000	2,409,000	3,910,000
Grants	63,026,000	60,899,000	62,642,000
Totals, obligations by object	$219,253,000	$207,754,000	$225,811,000
Working Capital Fund obligations included above	(8,031,000)	(7,883,000)	(8,287,000)
Advisory and assistance services included above	(4,830,000)	(3,679,000)	(4,805,000)
1/ Includes the following amounts for services of agencies Department of Labor:			
Bureau of Labor Statistics	(5,875,000)	(5,295,000)	(5,438,000)

OSHA-12

SIGNIFICANT ITEMS IN 1986
HOUSE AND SENATE APPROPRIATIONS COMMITTEE REPORTS

Item	Action Taken or to be Taken
1986 House Report (No. 99-289)	
No specific actions recommended.	
1986 Senate Report (No. 99-151)	
Occupational Safety and Health Administration	
1. "In view of the number of highly toxic chemicals that are manufactured in this country and the potential for disastrous effects not only on industry and labor, but also on the community at large when chemical accidents occur, the Occupational Safety and Health Administration is undertaking a pilot National Emphasis Program for the chemical industry, and the Committee supports this pilot project. The Occupational Safety and Health Administration is directed to provide the Committee with a report by May 31, 1986, on the effectiveness of this program and to advise the Committee of any additional resources required to expand this program nationwide."	The final analysis and report on the National Emphasis Program will not be completed until September 30, 1986. In keeping with the Committee's request, an interim report will be provided to the Committee by May 31, 1986.
1986 Conference Report (No. 99-402)	
No specific actions recommended.	

AUTHORIZING LEGISLATION

Legislation	Budget Request 1986	Budget Request 1987
Authorizing legislation containing indefinite authority		
Occupational Safety and Health Act of 1970 (P.L. 91-596)	$207,754,000	$225,811,000

OSHA-14

APPROPRIATION HISTORY

	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation
1977.....	$130,820,000	$129,833,000	$134,333,000	$134,333,000
1978.....	139,070,000	136,640,000	136,640,000	139,070,000
1979.....	164,540,000	169,284,000	176,784,000	173,034,000
1980.....	179,520,000	181,520,000	184,809,000	186,394,000
1981.....	209,580,000	209,376,000	----------	209,376,000
1982.....	203,487,000	227,761,000	203,487,000	195,465,000
1983.....	207,649,000	208,195,000	205,649,000	206,649,000
1984.....	210,860,000	212,560,000	212,560,000	212,560,000
1985.....	217,752,000	219,652,000	220,152,000	219,652,000
1986...1/.....	217,208,000	218,045,000	218,045,000	218,045,000
Sequestered under P.L. 99-177.....				9,353,000
1987.....	225,811,000			

1/ Does not include reductions pursuant to P.L. 99-177

OSHA-15

OCCUPATIONAL SAFETY AND HEALTH ADMINISTRATION
SALARIES AND EXPENSES

JUSTIFICATION

	1985 Comparable		1986 Appropriation		1986 1/ Estimate		1987 Estimate		Increase or Decrease	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
Safety and health standards.....	91	$6,030,000	91	$6,161,000	89	$5,576,000	91	$6,011,000	+2	+$435,000
Enforcement:										
a. Federal enforcement	1,772	83,798,000	1,766	87,043,000	1,733	82,984,000	1,766	90,198,000	+33	+7,214,000
b. State programs	—	53,021,000	—	53,021,000	—	50,741,000	—	54,921,000	—	+4,180,000
Technical support.....	143	13,320,000	144	14,029,000	134	12,547,000	137	14,658,000	+3	+2,111,000
Compliance assistance.....	111	36,981,000	105	34,968,000	103	33,713,000	105	36,040,000	+2	+2,327,000
Safety and health statistics.....	50	20,836,000	50	18,013,000	49	17,200,000	50	18,609,000	+1	+1,409,000
Executive direction & administration	71	5,247,000	60	4,810,000	58	4,993,000	59	5,374,000	+1	+381,000
Total Obligations.....	2,238	$219,233,000	2,216	$218,045,000	2,166	$207,754,000	2,208	$225,811,000	+42	+$18,057,000

1/ Included in the 1986 estimate:
Sequestered under P.L. 99-177..... -$9,333,000 and -42 FTE
Withdrawal pursuant to P.L. 99-190..... -$533,000
Comparative transfer to DM..... -$405,000 and -8 FTE

General Statement

This appropriation provides for necessary expenses of the Occupational Safety and Health Administration to carry out the purposes of the Occupational Safety and Health Act of 1970. The agency promulgates occupational safety and health standards and enforces compliance by inspecting places of employment. The agency also provides consultation, training, and information services for employers and employees; assists other Federal agencies to maintain occupational safety and health programs for Federal workers; and publishes statistics concerning the incidence, severity, and causes of occupational injuries and illnesses. Fifty-percent matching grants are provided to assist 25 States and jurisdictions in administering and enforcing approved State occupational safety and health programs.

OSHA-16

SAFETY AND HEALTH STANDARDS

1985 Comparable		1986 Appropriation		1986 1/ Estimate		1987 Estimate		Increase or Decrease	
FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
91	$6,030,000	91	$6,161,000	89	$5,576,000	91	$6,011,000	+2	+$435,000

1/ Included in the 1986 estimate:
Sequestered under P.L. 99-177..... -$263,000 and -2 FTE
Withdrawal pursuant to P.L. 99-190.... -$53,000

Introduction

This activity provides for the development, promulgation and review of occupational safety and health standards to assure every American worker, so far as possible, safe and healthful working conditions. When pro ulgated, standards become: (1) major safety and health requirements for employers and employees, (2) the basis for Federal enforcement actions, (3) a minimum level of effectiveness for State occupational safety and health standards, and (4) a point of reference for labor management efforts to reduce work-related injuries, illnesses, and fatalities.

1987 Budget Request

In 1987, standards will be reviewed and new standards developed in accordance with the procedures required by Executive Order 12291 and the Regulatory Flexibility Act, and with objectives and priorities established by OSHA's Regulatory Management System. To the maximum extent feasible, standards will be performance-oriented, to facilitate their application by employers, employees, and OSHA's compliance staff.

Proposed standards or advance notices of proposed rulemaking are being considered for a number of safety issues, including pulp-paper-and-paperboard mills, longshoring, explosive and dangerous atmospheres, the use of scaffolds and ladders in general industry, personal fall protection in general industry, single piece rim wheels (maritime), and oil and gas well drilling. Health proposals may include new rules governing respiratory protection, methods of compliance, the carcinogen policy, expansion of the scope of the hazards communication standard, as well as standards for several toxic chemicals and substances such as 1,3-butadiene, glycol ethers, and methylene chloride. OSHA anticipates promulgating final safety rules which may include standards in the construction industry for scaffolds, fall protection, stairways and ladders, underground construction, crane or derrick suspended personnel platforms, and concrete and masonry construction; and standards in the general industry for electric power generation and transmission. Final health rules may include standards for ethylene dibromide, benzene, and exposure to toxic chemicals in laboratories. In 1987 approximately seven contractor studies are anticipated to facilitate the development of new standards.

Workload/Output Measures:	1985 Actual	1986 Estimate	OSHA-17 1987 Estimate
Safety Standards:			
Notices of rulemaking	3	9	10
Final rules	0	8	9
Contractor-assisted studies	2	2	4
Health Standards:			
Notices of rulemaking	2	6	6
Final rules	2	4	5
Contractor-assisted studies	2	2	3

1986

In 1986, notices of proposed rulemaking are expected to be prepared for a variety of issues, which may include: (1) safety proposals in construction for scaffolds, fall protection, stairways and ladders, and excavation; (2) safety proposals in general industry for electrical safety-related work practices, lockout/tagout, confined spaces, logging, electrical power generation and transmission, and revision of record-keeping requirements; (3) safety proposals in maritime for access and egress, welding, fall protection and scaffolds; (4) health proposals for benzene, exposure to toxic chemicals in laboratories, formaldehyde, methylene-dianiline, methylene chloride, and revisions to the trade secrets provisions of the hazards communication standard and OSHA's carcinogen policy. OSHA will use negotiated rulemaking procedures in developing the proposal for methylene dianiline. Approximately eight final safety and four final health standards are anticipated, including standards for warning tags in general industry, electrical safety in construction, grain handling facilities, safety testing/certification, presence sensing device initiation, asbestos, cotton dust, access to medical and exposure records, and the hazard communication revision (trade secrets). In addition, OSHA expects to issue decisions on petitions for regulatory actions to cover wood dust, carbon black, and methylene chloride; and to respond to EPA referrals on 1,3-butadiene and methylene dianiline.

As a result of reductions made under P.L. 99-177, fewer notices of rulemaking will be prepared than projected by the current regulatory agenda and fewer contractor assisted studies will be completed. In addition, the number of public hearings held for each proposal will be reduced.

1985

During 1985, notices of proposed rulemaking were issued for powered platforms, presence sensing device initiation, concrete and masonry construction, and ethylene oxide labeling. An announcement of proposed rulemaking was issued for formaldehyde. Final rules were published for cotton dust and coke oven emissions. The agency also issued a determination not to promulgate a final standard for field sanitation unless State agencies fail to develop and enforce standards within the next 18 months. A request for information was issued concerning the economic impacts that changes to the regulation for compressed air work in tunnels may have on small firms. OSHA initiated the use of negotiated rulemaking procedures in developing occupational health standards. Four contractor studies were conducted.

OSHA-18

Changes for 1987

Activity Changes:

Built-in:	
Within-grade promotions	$41,000
Career ladder promotions	4,000
Travel	7,000
Utilities, communications, and rent	6,000
GSA rent	13,000
Printing	13,000
WCF	15,000
Supplies	2,000
Equipment	2,000
Subtotal	$103,000
Net Program:	$332,000
FTE	2

Advisory and Assistance Services

Proposal: To restore the amount withdrawn from advisory and assistance services pursuant to P.L. 99-190.

Rationale: Contract funds are critical to the OSHA standards development process. Funds are utilized to obtain technical expertise in the form of short-term studies, including risk assessment studies, reviews of proposed protection concepts and fact-finding, as well as to secure the services of expert witnesses for public hearings.

Program Effects: This increase will allow the agency to continue its current regulatory agenda.

Base:
FTE: None — Estimate: $294,000

Program Increase:
FTE: None — Estimate: $53,000

Standards Development and Promulgation

Proposal: To provide for an increase for standards development and promulgation.

Rationale: To enable the agency to move forward with the current regulatory agenda and to fulfill the planned regulatory schedule for standards development and promulgation for 1987.

Program Effects: The additional funds will enable the agency to achieve the goals identified for standards promulgation.

Base:
FTE: 89 — Estimate: $5,141,000

Program Increase:
FTE: 2 — Estimate: $263,000

Rental Payments to GSA

Proposal: An increase is requested to provide for the increased costs of rent.

Rationale: The requested increase is necessary to pay for the increased costs charged for GSA space.

Program Effects: There are no program effects.

Base:
FTE: None — Estimate: $137,000

Program Increase:
FTE: None — Estimate: $6,000

Working Capital Fund

Proposal: To provide for an increase in OSHA's contribution to the Working Capital Fund.

Rationale: To provide for an increase for Departmental administrative and support services.

Program Effects: There are no program effects.

Base:
FTE: None — Estimate: $408,000

Program Increase:
FTE: None — Estimate: $10,000

OSHA-20

ENFORCEMENT

1985 Comparable		1986 Appropriation		1986 1/ Estimate		1987 Estimate		Increase or Decrease	
FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
2(a). Federal enforcement									
1,772	$83,798,000	1,766	$87,043,000	1,733	$82,984,000	1,766	$90,198,000	+33	+$7,214,000
2(b). State programs									
---	53,021,000	---	53,021,000	---	50,741,000	---	54,921,000	---	+4,180,000
Total									
1,772	$136,819,000	1,766	$140,064,000	1,733	$133,725,000	1,766	$145,119,000	+33	+$11,394,000

1/ Included in the 1986 estimate:
Sequestered under P.L. 99-177
2(a). Federal enforcement..... -$3,743,000 and -33 FTE
2(b). State programs..... -$2,280,000

Introduction

This activity provides for the enforcement of Federal standards under the Occupational Safety and Health Act, and makes fifty percent matching grants to assist States in administering and enforcing State standards under approved State programs. Compliance with standards is obtained in part by the physical inspection of plants and facilities, and in part by encouraging the cooperative efforts of employers and employees to maintain safe and healthful workplaces. Inspections are scheduled and carried out: (1) to investigate promptly claims of imminent danger, other employee complaints alleging workplace hazards that threaten serious physical harm, and reports of fatal or catastrophic accidents; (2) to conduct programmed inspections of high-hazard industries, e.g., construction sites and manufacturing firms with lost workday injury rates that are above the national average; and (3) to investigate complaints alleging discrimination by employers as a result of employees exercising the rights guaranteed to them under the Act.

2(a). Federal Enforcement

1987 Budget Request

In 1987, the budget request will enable Federal compliance officers to conduct an estimated 71,400 inspections, of which approximately 60,350 will be safety inspections and 11,050 will be health inspections. This represents an increase of 6,400 inspections over 1986. Responding to public expressions of concern which followed the chemical leaks at Union Carbide plants in Bhopal, India and Institute, West Virginia, and other reported incidents of workers being exposed to toxic chemicals and hazardous wastes, OSHA will increase the number of health inspections in 1987. The major effect will be an increase in the number of special emphasis inspections, particularly in the chemical industry and inspections of hazardous waste sites. Nationally, approximately 2,400 special emphasis investigations will focus on the handling of hazardous chemicals, hazardous waste sites, exposure to asbestos fibers, the use of swinging scaffolds, trenching and excavation operations, grain elevators, and fireworks manufacturing. Another 1,600 inspections will reflect an emphasis on local safety and health problems in particular regions and areas, such as cotton dust inspections, oil and gas well drilling, lead smelters, and floating seafood

processors. In addition, OSHA will continue to conduct at least 800 inspections per year of migrant farmworker camps under a cooperative agreement with the Department's Employment Standards Administration (ESA) and Employment Training Administration (ETA).

Programmed/high hazard inspections will account for nearly four-fifths of all inspections in 1987. The number of inspections resulting from employee complaints alleging unsafe and unhealthful working conditions is expected to remain unchanged from previous years. Safety and health inspections of other Federal facilities by OSHA's compliance officers will be increased. In addition to inspecting for safety and health violations, the agency will investigate an estimated 2,800 complaints alleging discrimination against workers for exercising rights afforded them under the Act.

The following table identifies the major workload categories for the Federal enforcement subactivity:

Workload/Output Measures:	1985 Actual	1986 Estimate	1987 Estimate
Federal compliance inspections:	71,303	65,000	71,400
Safety inspections	60,557	54,600	60,350
Health inspections	10,746	10,400	11,050
Employees in inspected workplaces:	3,490,000	3,000,000	3,500,000
Sec. 11(c) discrimination complaints:			
Complaints investigated	2,544	2,800	2,800

1986

In 1986, the agency expects to conduct a total of 65,000 inspections. OSHA will conduct an increased number of inspections for health hazards, and a number of new national emphasis programs will be initiated. A national emphasis program for all fireworks manufacturing plants with 10 or more employees will be implemented, and the agency will schedule safety and health inspections of hazardous wastesites. Because of the continuing incidence of trenching and excavation collapses, OSHA has initiated a national emphasis program for these activities.

A pilot program has been initiated in four regions focusing on inspections in the chemical industry. Chemical manufacturers that process the most toxic and reactive chemicals have been targeted. These inspections are expected to require more resources than regular inspections because of their complexity. This program will be reviewed and evaluated and extended to additional regions if warranted. Refinements of the health inspection targeting system will also be a high priority.

In 1986, it is estimated that OSHA will conduct 6,400 fewer inspections than planned as a result of the sequestration pursuant to P.L. 99-177. The primary impact of this reduction will be on programmed safety inspections in high-hazard industries.

1985

In 1985, OSHA compliance officers conducted a total of 71,303 inspections, including 60,557 safety inspections and 10,746 for health hazards. Also investigated were 2,544 complaints alleging reprisals against employees for exercising rights protected by section 11(c) of the Occupational Safety and Health Act. Records

OSHA-22

inspections totaled 7,136, a decrease of 23 percent from 1984.

The number of inspections resulting from employee complaints alleging hazardous working conditions increased by 15 percent over 1984, to 8,608. As in previous years, violations and/or proposed penalties were contested in only 2.5 percent of the inspections for which citations were issued. Proposed penalties for safety and health violations totaled $8,802,392, with collections totaling $6,577,562. During 1985, General Accounting Office auditors examined OSHA's informal settlement policy and concluded, in general, that OSHA's area offices are properly utilizing informal settlements to achieve more rapid abatement of safety and health hazards.

Changes for 1987

Activity Changes:

Built-In:	
Within-grade promotions	$737,000
Career ladder promotions	62,000
PCS tax liability	400,000
FICA tax	50,000
FECA contribution	529,000
Travel	217,000
Transportation of things	15,000
Utilities and communications	70,000
GSA rent	188,000
Printing	4,000
Other services	27,000
WCF	151,000
Supplies	31,000
Equipment	23,000
Subtotal	$2,504,000
Net Program	$4,710,000
FTE	33

Federal Safety and Health Enforcement

Proposal: To provide for an increase for Federal safety and health enforcement.

Rationale: The program increase and addition of 33 FTE employment are necessary to achieve the planned level of Federal inspection activity in 1987.

Program Effects: The program increase will enable the agency to increase Federal enforcement by approximately 6,400 inspections over the estimated 1986 level. In addition to achieving the planned number of inspections in 1987, this increase will provide funds for the purchase of technical equipment and supplies needed to conduct inspections and to provide essential personal protective equipment for compliance officers.

Base:
FTE: 1,733 Estimate: $75,011,000

Program Increase:
FTE: 33 Estimate: $4,511,000

Rental Payments to GSA

Proposal: An increase is requested to provide for the increased costs of rent.

Rationale: The requested increase is necessary to pay for the increased costs charged for GSA space.

Program Effects: There are no program effects.

Base:
FTE: None Estimate: $5,090,000

Program Increase:
FTE: None Estimate: $100,000

Working Capital Fund

Proposal: To provide for an increase in OSHA's contribution to the Working Capital Fund.

Rationale: To provide for an increase for Departmental administrative and support services.

Program Effects: There are no program effects.

Base:
FTE: None Estimate: $5,475,000

Program Increase:
FTE: None Estimate: $99,000

2(b). State Programs

1987 Budget Request

A total of $54,921,000 is requested for fifty percent Federal matching grants to assist States in administering and enforcing occupational safety and health programs under plans approved by the Secretary. State plan personnel are expected to conduct an estimated 115,500 inspections of which 105,000 will be for compliance with safety regulations and 10,500 will be for compliance with health requirements. Approximately 5,755,450 employees will be covered by investigations of these worksites.

The New York State program for State and local public employees will be eligible for certification for completing all developmental steps. If the New York program is certified, all 25 States with OSHA-approved State plans will have demonstrated the structural capacity to independently administer State programs. Benchmark revisions will continue, as appropriate, and final 18(e) approval consideration will be initiated for States which meet the "fully effective" State enforcement staffing levels and other criteria. OSHA will continue to evaluate the operations of all States, including those with final approval, to ensure that their programs remain "at least as effective as" the Federal OSHA program.

OSHA-24

Major workload categories for the State programs activity, and the distribution of grant funds for State operational programs are as follows:

Workload/Output Measures:	1985 Actual	1986 Estimate	1987 Estimate
Number of operational grants:	25	25	25
Number of State inspectors:	1,055	1,055	1,055
Safety	706	706	706
Health	349	349	349
State enforcement inspections:	114,215	112,400	115,500
Safety	103,223	102,200	105,000
Health	10,992	10,200	10,500

Total Obligations by State:	1985 Actual	1986 Estimate	1987 Estimate
Operational Grants:	$53,021,000	$50,741,000	$54,921,000
Alaska	1,082,945	1,036,378	1,121,757
Arizona	750,584	718,309	777,484
California	13,555,309	12,972,982	14,040,875
Connecticut 1/	355,589	340,299	368,333
Hawaii	1,090,005	1,043,135	1,129,070
Indiana	1,992,059	1,906,401	2,063,454
Iowa	790,038	756,066	818,353
Kentucky	2,068,768	1,979,811	2,142,912
Maryland	2,428,912	2,324,469	2,515,964
Michigan	6,297,814	6,026,357	6,523,527
Minnesota	1,707,629	1,634,201	1,768,830
Nevada	734,408	702,828	760,729
New Mexico	581,053	556,068	601,877
New York 1/	1,830,000	1,751,310	1,895,587
North Carolina	2,053,052	1,964,771	2,126,633
Oregon	3,363,763	3,219,121	3,484,320
Puerto Rico	1,546,752	1,480,242	1,602,187
South Carolina	1,257,729	1,203,647	1,302,800
Tennessee	1,297,383	1,241,596	1,343,881
Utah	832,462	796,667	862,297
Vermont	454,823	435,074	470,916
Virginia	1,834,962	1,756,059	1,900,727
Virgin Islands	235,414	225,291	243,851
Washington	4,490,117	4,297,042	4,651,042
Wyoming	389,630	372,876	403,594

1/ State plan covers only State and local government employees.

1986

In 1986, State inspectors will make an estimated 112,400 inspections. Approximately 102,200 of these inspections will be for compliance with occupational safety standards, and 10,200 for compliance with workplace health standards.

Final approval procedures will be initiated for States which meet benchmark requirements and other qualifying considerations and whose performance is determined to be "at least as effective as" the Federal program performance. The Connecticut State plan for public employees will be certified as successfully completing all developmental steps. This will bring the total number of States certified to 24 of 25 States with OSHA-approved State program plans. As a result of the successful completion of the benchmark revision undertaken for 12 States in 1985, OSHA will continue to consider State requests for revision of benchmarks in 1986 if State staffing levels can be maintained in light of the reductions under P.L. 99-177.

Installation of micro-computers for States participating in OSHA's Integrated Management Information System (IMIS) will be completed. Two additional States are expected to join the IMIS data-base monitoring system in FY 1986, and agreements will be sought with the remaining two OSHA-approved plan States to participate in the system. During the fiscal year, revisions to the procedures for State plan monitoring are expected to be completed and implemented, and computerization of OSHA's State plan monitoring reports will be continued. State agency personnel also will be able to utilize the extensive capacity of the IMIS system as a management tool in their individual programs.

The sequestration pursuant to P.L. 99-177 will result in a decrease of 3,100 inspections in 1986.

1985

In 1985, OSHA granted final section 18(e) approval of the Kentucky, Arizona, Wyoming, Iowa, Utah, Maryland, Tennessee, and Minnesota State programs based on concurrent approval of revised benchmarks. These approvals bring the total number of States with final approval to 11 (Virgin Islands, Hawaii and Alaska gained final approval during 1984). OSHA will continue to monitor and evaluate the program plans of these States to ensure that their programs remain "at least as effective as" the Federal OSHA program. The New Mexico State program was certified as having successfully completed all developmental steps.

During 1985, OSHA considered revisions to compliance staffing benchmark levels for 12 States in accordance with the provisions of the 1978 court order in AFL-CIO v. Marshall. This process included consideration of State data on improved inspection targeting and scheduling priorities, and State-specific injury/illness and compliance experience data. In conformance with OSHA's policy on different State standards, public comment is being sought to assure that the product clause requirements are fully considered when approving different State standards. OSHA will continue to seek comment on all pending State standards which differ from Federal standards in 1986.

In 1985, micro-computers were installed in 21 plan States participating in the IMIS for direct input and retrieval of data. Negotiations continued with the four remaining OSHA-approved State plan States to finalize IMIS participation. The IMIS provides current, accurate, detailed information about State program performance and provides the basis for the monitoring and evaluation program for State plans. State participation in the IMIS is required for a State to be eligible for final approval under Section 18(e).

OSHA-26

State personnel conducted approximately 114,215 inspections during 1985, of which 103,223 were for compliance with safety regulations and 10,992 for conformance with health requirements.

Changes for 1987

Activity Changes:

Built-in:	
State grants	$1,900,000
Subtotal	+$1,900,000
Net Program:	+$2,280,000
FTE	None

State Operational Grants

Proposal: To provide for an increase for OSHA State operational grants.

Rationale: The program increase is necessary to allow the agency to maintain consistent enforcement programs among participating States and Federal OSHA.

Program Effects: This increase will enable States with approved State plans to conduct an additional 3,100 inspections, 2,800 safety and 300 health.

Base:
FTE: None — Estimate: $52,641,000

Program Increase:
FTE: None — Estimate: $2,280,000

TECHNICAL SUPPORT

1985 Comparable		1986 Appropriation		1986 1/ Estimate		1987 Estimate		Increase or Decrease	
FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
143	$13,320,000	144	$14,029,000	134	$12,547,000	137	$14,658,000	+3	+$2,111,000

1/ Included in the 1986 estimate:
Sequestered under P.L. 99-177..... -$586,000 and -3 FTE
Withdrawal pursuant to P.L. 99-190..... -$400,000
Comparative transfer to Departmental Management.... -$330,000 and -7 FTE

Introduction

This activity provides specialized technical services and support for OSHA's program operations. Major component functions are: (1) safety engineering, industrial hygiene, and medical assistance for the abatement and control of workplace hazards; (2) regulatory studies and analyses required by Executive Order 12291, the Regulatory Flexibility Act, and the Paperwork Reduction Act; (3) environmental impact statements required by the National Environmental Policy Act; (4) variance determinations; (5) chemical analysis and equipment calibration; and (6) OSHA's Technical Data Center.

1987 Budget Request

The budget request will enable this activity to provide high quality technical support for OSHA's program operations. Laboratory services, including analyses of industrial hygiene samples and calibration of field instruments, will be performed according to nationally recognized standards. Expertise will be provided in the areas of environmental control technology, safety engineering, industrial hygiene, toxicology, occupational medicine, epidemiology, and technical information services. In accordance with the requirements of OSHA's Regulatory Management System, studies will be undertaken to estimate the risks of occupational safety and health hazards, to identify the potential for reducing those risks through regulatory actions, and to determine the most cost-effective means of providing workers feasible levels of protection.

The agency's technical data bases for hazard abatement, standards interpretations, sampling information, variances, and hazardous waste activities will be accessible to computer terminals in all OSHA regional and area offices, 18(b) plan States, and 7(c)(1) consultation program offices. OSHA will continue to act upon all applications for variances from standards, review State plan variance programs, and provide assistance to industry in developing new methods of protecting workers.

During 1987, OSHA will conduct approximately 30 regulatory analyses and environmental impact studies as an integral part of the rulemaking process. Subject areas may include: handling of flammable gases and liquids, handling of toxic substances, pulp and paper, 1-3 butadiene, respirators, and methylene dianiline (MDA). Other areas for study may be continuations of 1986 work that require longer-term treatment, or unforeseen areas dictated by new information.

OSHA-28

Workload/Output Measures:	1985 Actual	1986 Estimate	1987 Estimate
Laboratories:			
Chemical samples analyzed	55,100	60,000	61,800
Average turnaround (days in lab)	12	15	13
Sample backlog	--	1,000	500
Equipment units calibrated & repaired	17,000	17,900	16,000
Average turnaround (days in lab)	12	18	13
Economic and environmental studies	30	24	30

1986

During 1986, OSHA's Salt Lake City Laboratory will analyze chemical samples required for OSHA's national emphasis programs focusing on the chemical industry, hazardous waste sites, and other health issues. This activity is continuing to assist area offices in developing the technical resources needed to offer additional services to the public, to act upon all applications for variances from standards, and to review State plan variance programs. Medical expertise is being provided for the development of health standards. In accordance with the established regulatory review process, OSHA will conduct approximately 24 regulatory analyses and environmental impact studies. Subject areas may include: logging, electrical power generation, scaffolds, fall protection, stairways and ladders, trenching and excavation, powered platforms, shipbuilding, grain handling, hazard communication, asbestos, benzene, and methylene chloride.

The sequestration pursuant to P.L. 99-177 will result in increased turn-around time and a backlog of samples which will affect the timeliness of citations issued by OSHA's compliance staff. Additionally, the number of regulatory analyses and environmental impact studies will be reduced.

1985

Laboratory services to the occupational safety and health programs of Federal agencies were expanded in 1985, especially air sample tests for asbestos fibers. OSHA continued to act upon all applications for variances from standards, with increased activity in the area of health variances. The agency also continued to review State plan variance programs. Activities in support of full service area offices included literature searches, preparing technical information, providing information on appropriate analytical methods, and assisting with equipment usage. OSHA maintained liaisons with the National Toxicology Program, the Interagency Testing Committee, the National Cancer Institute, the National Institute for Occupational Safety and Health, the National Response Team, and EPA's "Superfund."

Regulatory analyses and environmental impact studies were conducted for a number of safety and health issues, including lockout/tagout devices, electrical power, personal safety equipment, hazard warning signs, personal protective equipment, welding and cutting, demolition, cranes, underground construction, confined spaces, concrete and shoring, formaldehyde, cotton dust, and ethylene dibromide.

Changes for 1987

Activity changes:

Built-In:	
Within-grade promotions	$53,000
Career ladder promotions	8,000
Travel	6,000
Transportation of things	1,000
Utilities and communications	9,000
GSA rent	40,000
Printing	2,000
Other services	48,000
WCF	20,000
Supplies	14,000
Equipment	39,000
Subtotal	$240,000
Net program	$1,871,000
FTE	3

Advisory and Assistance Services

Proposal: To restore the amount withdrawn for advisory and assistance services pursuant to P.L. 99-190.

Rationale: The agency's standards promulgation effort requires sufficient funds to conduct regulatory studies pursuant to Executive Order 12291 and to issue environmental impact statements required by the the National Environmental Policy Act. The provision of these funds will enable the agency to meet these statutory and administrative requirements.

Program Effects: This increase will enable the agency to meet the current regulatory agenda in issuing safety and health standards.

Base:
FTE: None — Estimate: $2,760,000

Program Increase:
FTE: None — Estimate: $400,000

Technical Support Activities

Proposal: To provide for an increase for technical support activities.

Rationale: This increase is necessary to provide essential technical and laboratory support for OSHA's programs in 1987 at the planned level of operations, particularly OSHA's special emphasis programs and Federal inspection activity.

Program Effects: The program increase will enable the agency to reduce the sample backlog and turn-around time required for sample analyses and for equipment calibration and repair that would otherwise occur. This increase will also enable the agency to purchase equipment and supplies which will allow the agency to identify and analyze the types of complex samples required by the agency's national increased emphasis on health inspections.

OSHA-30

Base:
FTE: 134 Estimate: $11,270,000

Program Increase:
FTE: 3 Estimate: $1,436,000

Rental Payments to GSA

Proposal: An increase is requested to provide for the increased costs of rent.

Rationale: The requested increase is necessary to pay for the increased costs charged for GSA space.

Program Effects: There are no program effects.

Base:
FTE: None Estimate: $941,000

Program Increase:
FTE: None Estimate: $21,000

Working Capital Fund

Proposal: To provide for an increase in OSHA's contribution to the Working Capital Fund.

Rationale: To provide for an increase for Departmental administrative and support services.

Program Effects: There are no program effects.

Base:
FTE: None Estimate: $595,000

Program Increase:
FTE: None Estimate: $14,000

OSHA-31

COMPLIANCE ASSISTANCE

1985 Comparable		1986 Appropriation		1986 1/ Estimate		1987 Estimate		Increase or Decrease	
FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
111	$36,981,000	105	$34,968,000	103	$33,713,000	105	$36,040,000	+2	+$2,327,000

1/ Included in the 1986 estimate:
Sequestered under P.L. 99-177..... -$1,501,000 and -2 FTE
Withdrawal pursuant to P.L. 99-190..... -$30,000

Introduction

This activity contributes to a balanced use of the authority vested in OSHA by the Congress through a variety of employer and employee assistance activities, including: (1) ensuring the availability of onsite consultative services for employers who request assistance in achieving voluntary compliance; (2) directing a competitive grants program to assist employer associations and labor unions in developing their own capabilities to meet the occupational safety and health training needs of the constituencies they serve; (3) fostering and promoting the development of voluntary protection programs by employers and labor-management committees; (4) increasing the technical competence of Federal, State and private sector managers engaged in the field of occupational safety and health, and (5) providing leadership to decrease the incidence and associated costs of deaths, injuries and illnesses involving employees of Federal agencies.

1987 Budget Request

The budget request for this activity will enable the agency to continue to support programs and activities which contribute to a balanced occupational safety and health program. Voluntary protection programs provide appropriate recognition to firms with exemplary safety and health programs and allow them to be exempted from general schedule inspections. OSHA will continue to update its training materials to reflect new and revised agency standards, regulations, policies, and technological developments. Training will be provided to OSHA and State compliance personnel, State consultants, other Federal agency employees with safety and health duties, and private sector safety managers.

Onsite Consultation -- Consultants will conduct comprehensive visits in accordance with the new regulations implemented in 1985. These visits assist smaller establishments in developing effective hazard prevention programs and in providing training to employers and employees. As employers become more aware of the training and assistance available from the consultation program, more requests for these visits are anticipated. Since this assistance requires more time per visit, a decrease in the number of initial visits is again anticipated during 1987. The increased number of training and assistance visits will also reduce the number of follow-up visits needed to verify that hazards have been corrected.

OSHA-32

Workload/Output Measures:	1985 Actual	1986 Estimate	1987 Estimate
Consultation Visits:	36,581	31,650	30,600
Initial visits	28,611	25,040	23,800
Training & assistance visits	2,045	3,350	4,800
Follow-up visits	5,925	3,260	2,000
No. of States and Jurisdictions Covered:	47	47	47
Plan states	15	15	15
Non-plan states	32	32	32
Budget Authority	$23,350,000	$22,347,000	$24,214,000

Training Grants -- OSHA will continue to fund approximately 24 developmental grants originally awarded in previous rounds and 17 grants awarded in Round Four (1986). Grants are awarded to organizations serving high-risk industries which can benefit from additional safety and health training. Organizations are expected to achieve institutional competency after three to five years of government support.

Workload/Output Measures:	1985 Actual	1986 Estimate	1987 Estimate
Number of Training Grants Funded:	54	43	41
Number of Special Projects Funded:	53	--	--
Amount of Grant Payments:	$5,627,000	$3,475,000	$3,600,000

Federal Agency Programs -- OSHA will provide technical assistance, training, and other guidance necessary to assist Federal agencies in carrying out programs to ensure safe and healthful workplaces for their employees. OSHA will monitor Federal agencies' efforts to meet the President's goal of reducing the number of employee injury compensation claims by three percent every year for five years. Selected Federal agency programs will be evaluated.

Workload/Output Measures:	1985 Actual	1986 Estimate	1987 Estimate
Agency Evaluations:	5	5	8
Consultative Visits:	50	50	50
Annual Reports Reviewed:	75	75	75

1986

In 1986, the agency is continuing to meet its obligations to provide a mix of regulatory and non-regulatory activities. Employer-employee assistance is carried out through public outreach, training and education, and consultation. The Voluntary Protection Program is being expanded to a total of 60 participants. The Training Institute will train a higher proportion of private sector personnel.

Onsite Consultation -- OSHA will continue to implement the new regulations for onsite consultation (29 CFR 1908). Greater emphasis is being placed on employers' overall safety and health records. Visits are conducted not only to correct hazards, but to help employers develop in-plant safety and health programs, and to provide training at the worksite.

Fewer consultation visits are anticipated in 1986 as a result of sequestration pursuant to P.L. 99-177.

Training Grants -- OSHA will award a new round of 17 New Directions training grants, of which nine will be planning grants and eight developmental grants. This new round will be targeted to special emphasis programs under OSHA's enforcement subactivity. Funding will continue for 26 developmental grants awarded under previous rounds. Training programs developed under the special grants awarded in 1985 will be incorporated into the curriculum at the Training Institute and will be made available to the public through OSHA's full service area office program.

As a result of the sequestration pursuant to P.L. 99-177, grant funding levels will be reduced during 1986.

Federal Agency Programs -- OSHA is continuing to provide technical assistance, training, and other guidance necessary to assist Federal agencies in carrying out their safety and health programs, and in meeting the President's goal to reduce the number of workers' compensation injury reports by three percent per year.

1985

In 1985, this activity provided programs and activities promoting a balanced occupational safety and health program. Participants in voluntary protection programs continued to be evaluated against their agreed-upon goals. OSHA personnel received the training needed to ensure that they would have the knowledge and skills to perform their duties effectively.

Onsite Consultation -- OSHA implemented new regulations for onsite consultation. Provisions of the new regulations include: a system of priorities for assisting smaller high-hazard establishments; new categories of consultation activity providing onsite training and education and safety and health program assistance; and a one-year exemption from programmed inspections for employers who have corrected all hazards identified by a consultant during a comprehensive walk-through and have established an effective safety and health program. Consultants recommended approximately 275 small establishments for exemptions from inspections.

Training Grants -- OSHA continued funding for 54 New Directions developmental training grants which were originally awarded in the second and third rounds of the program (1984 and 1985). Grant renewals were based on objective criteria emphasizing labor-management cooperation, grantee accountability and public outreach. The agency also funded 53 special grant projects for previous program participants to develop specific training programs having broad applicability.

Federal Agency Programs -- OSHA's system for targeting Federal agency inspections and evaluations was refined to produce causal data and trend studies. In response to a Presidential memorandum and policy statement, OSHA instituted a program for encouraging Federal agencies to reduce the number of workers' compensation injury reports by fifteen percent over a period of five years (1984-1989).

OSHA-34

Changes for 1987

Activity Changes:

Built-In:	
Within-grade promotions	$48,000
Career ladder promotions	6,000
Travel	7,000
Transportation of things	1,000
Utilities and communications	9,000
GSA rent	33,000
Printing	8,000
Consultation	864,000
Other services	47,000
WCF	22,000
Supplies	8,000
Equipment	13,000
Subtotal	$1,066,000
Net Program	$1,261,000
FTE	2

Advisory and Assistance Survey

Proposal: To restore the amount withdrawn from obligations for advisory and assistance services pursuant to P.L. 99-190.

Rationale: These contract funds are utilized for expert instructors to provide specialized technical training for the agency's compliance officers, to ensure the maintenance of a competent professional staff.

Program Effects: Expert instructors must be utilized to maintain a current curricula at the OSHA Training Institute. Specialized knowledge and experience is frequently required for highly technical material which must be taught to the compliance staff.

Base:
FTE: None — Estimate: $270,000

Program Increase:
FTE: None — Estimate: $30,000

Compliance Assistance Activities

Proposal: To provide for an increase in compliance assistance activities.

Rationale: This increase will allow the agency to provide the full range of compliance assistance activities.

Program Effects: This increase will enable the agency to complete the full array of planned activities including the provision of training programs and assistance to other Federal agencies.

Base:
FTE: 103 Estimate: $6,789,000

Program Increase:
FTE: 2 Estimate: $73,000

Consultation

Proposal: To provide an increase for the onsite consultation program to eliminate a backlog of consultation requests.

Rationale: The onsite consultation program was designed to provide free consultative assistance to small employers, to encourage voluntary correction of safety and health hazards. The development of a significant backlog of requests for assistance will impact negatively on interest and participation in this program.

Program Effects: An increase for this program will reduce the consultative visit backlog and strengthen the program's penetration into smaller, high-hazard businesses.

Base:
FTE: None Estimate: $22,347,000

Program Increase:
FTE: None Estimate: $1,003,000

New Directions

Proposal: To provide an increase for New Directions grants to maintain scheduled program levels for grantees.

Rationale: The New Directions grant program is designed to support grantees in achieving institutional competency after three to five years of government support. Grantees require the highest level of support in the second and third years of program participation.

Program Effects: This increase will enable the agency to support grantees at an effective level of participation enabling participants to successfully attain the goals of this program.

Base:
FTE: Estimate: $3,475,000

Program Increase:
FTE: None Estimate: $125,000

Rental Payments to GSA

Proposal: An increase is requested to provide for the increased costs of rent.

Rationale: The requested increase is necessary to pay for the increased costs charged for GSA space.

Program Effects: There are no program effects.

OSHA-36

Base:
FTE: None Estimate: $693,000

Program Increase:
FTE: None Estimate: $16,000

Working Capital Fund

Proposal: To provide for an increase in OSHA's contribution to the Working Capital Fund.

Rationale: To provide for an increase for Departmental administrative and support services.

Program Effects: There are no program effects.

Base:
FTE: None Estimate: $628,000

Program Increase:
FTE: None Estimate: $14,000

OSHA-37

SAFETY AND HEALTH STATISTICS

1985 Comparable		1986 Appropriation		1986 1/ Estimate		1987 Estimate		Increase or Decrease	
FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
50	$20,856,000	50	$18,013,000	49	$17,200,000	50	$18,609,000	+1	+$1,409,000

1/ Included in the 1986 estimate:
Sequestered under P.L. 99-177..... -$775,000 and -1 FTE

Introduction

This activity provided for the collection and dissemination of data on occupational fatalities, injuries and illnesses to identify program needs and measure the effect of activities conducted under the Occupational Safety and Health Act. These data are essential for planning and evaluating the OSHA program, for measuring progress in reducing hazards in the workplace, for identifying industries and occupations with the most serious safety and health problems, for monitoring the performance of States operating under section 18(b) plans, and for targeting the consultation, enforcement, standards-setting and training activities. Annual statistical surveys of a nationwide sample of employers provide data on incidence rates and other measures of work-related injuries and illnesses, distributed by industry and size of establishment. This activity also provides fifty percent Federal matching grants to support the collection by States of statistical data on the incidence of job-related fatalities, injuries and illnesses from state-wide samples of firms. Special statistical studies and analyses are conductd as necessary. The activity provides management information and statistical support to the agency on all aspects of OSHA's programs and field operations.

1987 Budget Reguest

The budget requrest will allow the Bureau of Labor Statistics (BLS) to continue basic data collection, processing, and reporting activities. During 1987, BLS will analyze the results of a study of worksite recordkeeping practices conducted by the National Academy of Sciences, and will determine whether revisions are required to the current methods of gathering and reporting data on injuries and illnesses at the worksite. Results of the fourteenth annual survey of occupational injuries and illnesses and a special analysis of State results will be published. Annual survey data are usd to target programmed high-hazard inspections, and to provide an evaluative tool for final section 18(e) determinations to approve State occupational safety and health programs.

The Supplementary Data System (SDS) will provide data from 32 participating States on the causes and characteristics of injuries to workers. National tabulations will be available for the first time on selected characteristics. SDS reports support new requirements for secondary targeting, program direction, and training and educational programs. Three Work Injury Reports (WIRS) will be published based on SDS data. These reports will cover injuries related to longshoring activities, mechanized equipment, and the millwright and mechanic occupations. WIR surveys are based on follow-up questionnaries to individual workers injured on the job. They provide detailed information on causality and type of injuries, which is used to support the development of occupational safety and health standards.

59-364 O - 86 - 23

OSHA-38

OSHA's IMIS will be operational in all regional and area offices, and participating 18(b) State agencies. The IMIS will provide the basis for standarized reporting and evaluation of program performance. The system will allow direct access to current data, thereby improving day-to-day decision-making at all levels, and enabling the agency to assess the effects of program changes. Field offices will transmit and receive data, reports, and inquiries as by-products of normal operations. The system will provide access to other external safety and health data bases. Federal monitoring of State program operations as well as comparisons of Federal and State programs will be improved as Federal and State offices report the same data elements. The IMIS will provide a greatly improved system for tracking and updating information on penalty assessments and collections.

Workload/Output Measures:	1985 Actual	1986 Estimate	1987 Estimate
State statistical grants:			
Number of statistical grants	46	46	46
Amount of grants	$4,378,000	$3,807,000	$4,121,000
Number of participating States:			
Annual injury/illness survey	40	40	40
Supplementary data system	32	32	32
Work-injury reports (WIR)	27	27	27

1986

In 1986, the statistical activity is continuing to supply the data needed to support agency operations. A task force will select topics for work injury reports (WIRS). The number of cases included in the SDS has been reduced due to the elimination of State and local public service employees, and cases involving medical treatment with no lost workdays. These cases were considered unnecessary for developing national estimates and providing data for OSHA standards development and targeting.

Results of the thirteenth annual survey, covering calendar year 1984, were published in November 1985. The survey recorded 5.4 million private sector injuries and illnesses in 1984, an increase of 11.7 percent over the total of 4.9 million recorded in 1983. This represents a greater increase than the 6.6 percent rise in work hours resulting from the current economic recovery. Job-related injuries occurred at a rate of 7.8 per 100 full-time workers in 1984, compared with 7.5 in 1983. This average, while representing the first rise since 1978, remains below the double-digit averages recorded during the 1970s. The number of work-related fatalities in private industry establishments with 11 or more employees was estimated at 3,740 in 1984, compared with 3,100 in 1983. The national average lost workday rate for all industries was 3.7 per 100 workers in 1984, up from 3.4 in 1983. Injury and illness incidence rates rose in most industry divisions, with a particularly sharp increase in construction. Approximately 124,800 occupational illnesses were recorded in 1984, compared with 106,000 in 1983. However, the occupational illness estimates in the annual survey provide only a measure of recognized acute cases of work-related illness. They do not adequately reflect chronic and long-latent types of illnesses, because of problems of identification and reporting.

Installation of micro computers for OSHA's IMIS will be completed in all area offices and participating plan States in 1986. Under the IMIS, field offices will enter their data directly to the host and micro data bases. This will result in more current and accurate data for the purposes of day-to-day decision making, historical analyses, targeting, and penalty collection.

As a result of sequestration pursuant to P.L. 99-177, this activity will begin to experience delays in the collection, processing and publication of data and in the final implementation of the IMIS. Additionally, the results of the fourteenth annual survey could be delayed.

1985

Results of the annual survey covering calendar year 1983 were published in November 1984. The survey revealed that work-related fatalities were down by one-fourth in 1983, and the lost-workday injury-rate for all industries decreased slightly. The SDS provided data from 32 participating States on the causes and characteristics of injuries to workers. Three WIRs and three analytical studies were developed based on SDA data. An analysis of work-related fatalities was also published. BLS contracted with the National Academy of Sciences to conduct a study of the accuracy and quality of worksite recordkeeping and reporting.

Installation of micro computers for OSHA's IMIS was initiated in most Federal and State offices in 1985. Offices under the new system began entering their data directly to the host and micro data bases. Data from the annual survey and the SDS were incorporated into the IMIS.

Changes for 1987

Activity Changes:

Built-In:	
Within-grade promotions	$22,000
Career-ladder promotions	3,000
Travel	3,000
Utilities and communications	38,000
GSA rent	13,000
Printing	6,000
IMIS services	174,000
BLS services	143,000
BLS State contracts	24,000
Other services	13,000
WCF	21,000
Supplies	7,000
Equipment	3,000
BLS grants	143,000
Subtotal	$613,000
Net Program	$796,000
FTE	1

OSHA-40

Statistical Activities

Proposal: To provide an increase for occupational safety and health statistical activities.

Rationale: This program increase is necessary to provide planned management information and statistical support to the agency.

Program Effects: This increase will enable the agency to maintain its Integrated Management Information System on a fully operational basis and to allow BLS to continue basic data collection, processing and reporting activities.

Base:
FTE: 49 Estimate: $13,153,000

Program Increase:
FTE: 1 Estimate: $604,000

State Statistical Grants

Proposal: To provide an increase for BLS State grants to preclude delays in the collection and processing of data.

Rationale: Fifty percent Federal matching grants are provided to States for the collection by States of statistical data. Continuation of the current level of State participation is dependent on Federal matching funds.

Program Effects: This increase will ensure continued participation of 40 States in the annual survey and timely collection and processing of data.

Base:
FTE: None Estimate: $3,950,000

Program Increase:
FTE: None Estimate: $171,000

Rental Payments to GSA

Proposal: An increase is requested to provide for the increased costs of rent.

Rationale: The requested increase is necessary to pay for the increased costs charged for GSA space.

Program Effects: There are no program effects.

Base:
FTE: None Estimate: $133,000

Program Increase:
FTE: None Estimate: $8,000

Working Capital Fund

Proposal: To provide for an increase in OSHA's contribution to the Working Capital Fund.

Rationale: To provide for an increase for Departmental administrative and support services.

Program Effects: There are no program effects.

Base:
FTE: None Estimate: $582,000

Program Increase:
FTE: None Estimate: $13,000

OSHA-42

EXECUTIVE DIRECTION AND ADMINISTRATION

1985 Comparable		1986 Appropriation		1986 1/ Estimate		1987 Estimate		Increase or Decrease	
FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
71	$5,247,000	60	$4,810,000	58	$4,993,000	59	$5,374,000	+1	+$381,000

1/ Included in the 1986 estimate:

Sequestered under P.L. 99-177	-$205,000	and -1 FTE
Withdrawn pursuant to P.L. 99-190	-50,000	
Comparative transfer to Departmental Management	-75,000	and -1 FTE

Introduction

This activity provides overall direction and administrative support for the Occupational Safety and Health Administration, including coordination of policy research, planning, evaluation, and internal management.

1987 Budget Request

The budget request will allow this activity to continue providing effective leadership, direction, and management of agency resources. OSHA's Integrated Management System (IMS) provides a framework for reviewing the efficiency and effectiveness of agency programs. The agency uses management objectives, operating targets, performance indicators, a program evaluation system, and periodic performance reviews to measure its progress and to establish new goals.

Emphasis will be placed on improving the quality of the data used to support efficient management and effective targeting. Selected agency programs will be evaluated in accordance with the program evaluation system. Recommended revisions to the records review policy will be initiated. OSHA will also continue to evaluate the performance of State programs, consultation projects, and voluntary protection programs.

1986

In 1986, OSHA will finalize a system for collecting evaluation data, and will conduct one program evaluation as part of the agency's internal planning process. The agency will reexamine the records review portion of the safety targeting system for manufacturing. Several pilot projects may be implemented to examine alternatives for amending the policy. OSHA will review the current system for establishing standards development priorities. The agency will continue to institute organizational and management improvements as needed.

OSHA has implemented procedures for assessing interest, administrative costs and handling charges on delinquent penalties, and will develop procedures for suspending and terminating debts. OSHA is evaluating the possible program impact of other debt collection initiatives involving the use of private collection agencies and credit reporting firms, salary and administrative offset procedures, and IRS taxpayer identification numbers. These debt collection initiatives are intended to accelerate deposits of penalty collections into the Treasury, and to improve audit and internal controls.

As a result of the sequestration pursuant to P.L. 99-177, implementation of the agency's program evaluation plan will be slowed and fewer policy studies to examine program strategies and alternatives will be carried out.

1985

During 1985, OSHA accomplished 12 objectives under the IMS, covering such areas as targeting for chemical hazards and hazardous waste sites, dissemination of information on construction fatalities, development of a regulatory program plan, improved State plan monitoring, public outreach, voluntary protection programs, and implementation of the IMIS. The agency developed a system for collecting evaluation data to be utilized in selecting topics for program evaluations. A study of OSHA's targeting policy for manufacturing establishments determined that there is a positive correlation between the number of inspections in an industry and the reduction of injury/illness incidence rates.

Organizational and management improvements were undertaken in the areas of property management, administrative services, and personnel management, with a reduction of 13 positions. A variety of actions were initiated preparatory to implementing the Debt Collection Act of 1982. In response to a GAO audit, the agency began developing a new financial management penalty accountability system. As part of its financial management improvement plan, OSHA implemented procedures requiring area offices to mail all penalty checks to a centralized lockbox, which transmits the necessary penalty documentation to the National Office.

Changes for 1987

Activity Changes:

Built-In:	
Within grade promotions	$38,000
Career ladder promotions	3,000
Travel	10,000
Transportation of things	1,000
Utilities and communications	4,000
GSA rent	13,000
Printing	7,000
Other services	11,000
WCF	15,000
Supplies	3,000
Equipment	3,000
Subtotal	$108,000
Net Program	$273,000
FTE	1

OSHA-44

Advisory and Assistance Services

Proposal: To restore the amount withdrawn from obligations for advisory and assistance services pursuant to P.L. 99-190.

Rationale: This increase will allow OSHA to continue its current activities for conducting program evaluation and review, program development, and policy reviews.

Program Effects: This increase will allow the agency to continue to move forward with its current program for evaluation, program development, and review, including the full implementation of the program evaluation schedule as well as ongoing work on inspection targeting.

Base:
FTE: None — Estimate: $355,000

Program Increase:
FTE: None — Estimate: $50,000

Executive Direction and Administration

Proposal: To provide for an increase to ensure adequate administrative support.

Rationale: The increase will provide the funds necessary to provide the administrative support required for OSHA programs.

Program Effects: The program increase will allow the agency to maintain its current schedule for program and policy evaluation and review and to meet agency goals for providing leadership, direction, and support services.

Base:
FTE: 58 — Estimate: $4,545,000

Program Increase:
FTE: 1 — Estimate: $205,000

Rental Payments to GSA

Proposal: An increase is requested to provide for the increased costs of rent.

Rationale: The requested increase is necessary to pay for the increased costs charged for GSA space.

Program Effects: There are no program effects.

Base:
FTE: None — Estimate: $122,000

Program Increase:
FTE: None — Estimate: $8,000

OSHA-45

Working Capital Fund

Proposal: To provide for an increase in OSHA's contribution to the Working Capital Fund.

Rationale: To provide for an increase for Departmental administrative and support services.

Program Effects: There are no program effects.

Base:
FTE: None — Estimate: $439,000

Program Increase:
FTE: None — Estimate: $10,000

OSHA-46

RESPONSIBILITY FOR COMPLIANCE EFFORTS
STATE TABLES

State	1986	1987
Alabama	F	F
Alaska	S	S
Arizona	S	S
Arkansas	F	F
California	S	S
Colorado	F	F
Connecticut 1/	F	F
Delaware	F	F
District of Columbia	F	F
Florida	F	F
Georgia	F	F
Hawaii	S	S
Idaho	F	F
Illinois	F	F
Indiana	S	S
Iowa	S	S
Kansas	F	F
Kentucky	S	S
Louisiana	F	F
Maine	F	F
Maryland	S	S
Massachusetts	F	F
Michigan	S	S
Minnesota	S	S
Mississippi	F	F
Missouri	F	F
Montana	F	F
Nebraska	F	F
Nevada	S	S
New Hampshire	F	F
New Jersey	F	F
New Mexico	S	S
New York 1/	F	F
North Carolina	S	S
North Dakota	F	F
Ohio	F	F
Oklahoma	F	F
Oregon	S	S
Pennsylvania	F	F
Rhode Island	F	F

S: Enforcement responsibility exercised by state personnel operating under an approved section 18(b) state plan.
F: Enforcement responsibility exercised by Federal personnel.

1/ State plan covers public employees only.

State	1986	1987
South Carolina	S	S
South Dakota	F	F
Tennessee	S	S
Texas	F	F
Utah	S	S
Vermont	S	S
Virginia	S	S
Washington	S	S
West Virginia	F	F
Wisconsin	F	F
Wyoming	S	S
American Samoa	F	F
Guam	F	F
Puerto Rico	S	S
Virgin Islands	S	S
Trust Territories of Pacific Islands	F	F

S: Enforcement responsibility exercised by state personnel operating under an approved section 18(b) state plan.

F: Enforcement responsibility exercised by Federal personnel.

OSHA-48

ADVISORY AND ASSISTANCE SERVICES 1/

	FY 1986	FY 1987
Type of Services		
Advisory and Assistance Services.....	$4,202,000	$4,795,000
Personnel Appointments:		
a. Consultants and Experts.....	10,000	10,000
TOTAL.....	$4,212,000	$4,805,000
Withdrawn from Obligation under Section 515, Treasury-Postal Service Appropriations Act, 1986. (Referenced in P.L. 99-190).....	-533,000	—
Revised Total.....	$3,679,000	$4,805,000

JUSTIFICATION OF FY 1987 REQUEST

Safety and Health Standards ($500,000):

Advisory and Assistance Services: Funds are utilized for special studies and analyses required for standards development activities, including the development of risk assessment studies and industry profiles.

Technical Support ($3,500,000):

Advisory and Assistance Services: Funds are utilized for regulatory studies and analyses required by Executive Order 12291, the Regulatory Flexibility Act and the Paperwork Reduction Act and environmental impact statements required by the National Environmental Policy Act.

Compliance Assistance ($300,000):

Advisory and Assistance Services: Funds are utilized for expert assistance in providing specialized, technical training for agency compliance safety and health officers to assure that the agency maintains a cadre of competent, professional staff.

Executive Direction ($505,000):

Advisory and Assistance Services ($495,000): Funds are utilized for a variety of professional services including assistance in program evaluation and review, program development and policy review. Contractor support is utilized for studies relating to a variety of agency issues in these catagories. Funds are also utilized for numerous short term purchase order consultant contracts by the various Agency directorates and offices to provide assistance in areas requiring specialized expertise.

Personnel Appointments ($10,000): Funds are used by the Office of the Assistant Secretary to obtain short term expert assistant on specific projects such as analyses of program and organizational effectiveness.

1/ The Cabinet Council on Management and Administration (CCMA) defines advisory and assistance services as those activities funded under six categories of procurements found in the Federal Procurement Data System. These categories include: 1) Management and Professional Services, 2) Special Studies and Analyses, 3) Management and Support Services for Research and Demonstration, 4) Training, 5) Management Review of Program Funded Organizations, and 6) Public Relations.

STANDARD FORM 306
July 1968, Bureau of the Budget
Circular No. A-11, Revised.
306-103

OSHA-50

DETAIL OF PERMANENT POSITIONS

	19 actual	19 estimate	19 estimate
Executive level IV	1	1	1
ES-5	1	1	1
ES-4	6	9	9
ES-3	3	1	3
ES-2	4	5	4
ES-1	6	4	3
Subtotal	21	21	21
GS/GM-15	55	55	55
GS/GM-14	148	148	148
GS/GM-13	353	353	353
GS-12	590	590	590
GS-11	475	472	472
GS-10	3	3	3
GS-9	106	102	102
GS-8	7	7	7
GS-7	100	100	100
GS-6	108	108	108
GS-5	155	155	155
GS-4	105	105	105
GS-3	65	65	65
GS-2	15	15	15
GS-1			
Subtotal	2,285	2,278	2,278
Total Permanent Positions	2,306	2,299	2,299
Unfilled Positions, end-of-year	96	117	117
Total permenent employment, end-of-year	2,210	2,182	2,182

MONDAY, MARCH 3, 1986.

DEPARTMENTAL MANAGEMENT

PRESIDENT'S COMMITTEE ON THE EMPLOYMENT OF THE HANDICAPPED

SPECIAL FOREIGN CURRENCY

WITNESSES

THOMAS C. KOMAREK, ASSISTANT SECRETARY FOR ADMINISTRATION AND MANAGEMENT

JILL H. EMERY, DEPUTY DIRECTOR, WOMEN'S BUREAU

GEORGE SALEM, SOLICITOR

JAMES F. TAYLOR, ASSOCIATE DEPUTY UNDER SECRETARY FOR INTERNATIONAL LABOR AFFAIRS

HAROLD RUSSELL, CHAIRMAN, PRESIDENT'S COMMITTEE ON EMPLOYMENT OF THE HANDICAPPED

DONALD SHASTEEN, ASSISTANT SECRETARY FOR VETERANS EMPLOYMENT AND TRAINING

MARY ANN WYRSCH, DIRECTOR, OFFICE OF BUDGET

NAHUM LITT, CHIEF ADMINISTRATIVE LAW JUDGE

MICHAEL WALSH, EXECUTIVE DIRECTOR, EMPLOYEES COMPENSATION APPEALS BOARD

WILLIAM HARRIS, DIRECTOR, OFFICE OF CIVIL RIGHTS

JAY ROCHLIN, EXECUTIVE DIRECTOR, PRESIDENT'S COMMITTEE ON EMPLOYMENT OF THE HANDICAPPED

ROBERT L. RAMSEY, CHIEF ADMINISTRATIVE APPEALS JUDGE, BENEFITS REVIEW BOARD

Mr. NATCHER. At this time, we take up the budget request for the fiscal year 1987 for Departmental Management, and we have before the committee Mr. Thomas C. Komarek, Assistant Secretary for Administration and Management.

Mr. Komarek, you have been before our committee on a number of occasions, and we are glad to have you back again today. Tell us who you have with you at the table there.

INTRODUCTION OF ASSOCIATES

Mr. KOMAREK. Mr. Chairman, on my right is Mary Ann Wyrsch, the Department's Budget Officer; and next to her is Mr. Jim Taylor, Deputy Under Secretary for International Labor Affairs; and to his left, Don Shasteen, Assistant Secretary for Veterans' Employment; and to my immediate right, George Salem, Acting Solicitor of the Department; and to my immediate left is Jill Emery, Deputy Director of the Women's Bureau; and Mr. Harold Russell, Chairman, President's Committee on Employment of the Handicapped.

I also have Chief Administrative Law Judge Nahum Litt, and Chief Administrative Appeals Judge Robert L. Ramsey; and the Executive Director of the Employees' Compensation Appeals Board, Mr. Michael Walsh; and Executive Director of the President's Committee on Employment of the Handicapped, Mr. Jay Rochlin.

I have submitted my statement for the record. This is an account within the Department which lumps together many of the smaller appropriations within the Department.

We stand ready to answer your questions, Mr. Chairman.

Mr. NATCHER. Thank you, your statement will be incorporated in the record in its entirety.

[The statement and biography of Mr. Komarek follow:]

Statement by Thomas C. Komarek
Assistant Secretary for Administration and Management
Appropriations Subcommittee
Fiscal Year 1987 Budget Request

Departmental Management
Salaries and Expenses
Special Foreign Currency
February 1986

Mr. Chairman, members of the Subcommittee, thank you for this opportunity to appear before you. I am prepared today to outline for you the budget recommendations for the Departmental Management, Salaries and Expenses, and Special Foreign Currency appropriations.

Departmental Management -- Salaries and Expenses

Activities financed by this appropriation are responsible for formulating and overseeing the implementation of policy and management of the Department. In addition, this appropriation includes a variety of operating programs and activities which do not logically fall within the administration of other programs of the Department. In addition to providing funds for executive direction, adjudicatory, and management functions of the Department, this appropriation provides funds for:

the Bureau of International Labor Affairs,
the Solicitor's Office,
the President's Committee on Employment of the Handicapped,
the Women's Bureau, and
the Office of Civil Rights.

The budget request for Fiscal Year 1987 for the Departmental Management Salaries and Expenses appropriation is $125.5 million and 1,989 FTE, of which $103.9 million is from general funds, $.3 million is from the Unemployment Insurance Trust Fund and $21.4 million is from the Black Lung Disability Trust Fund within the Employment Standards Administration.

The Fiscal Year 1987 budget request reflects mandatory increases of $2,590,000 and program increases totalling $10,819,000 and 133 FTE offset by program decreases of $4,009,000 and 26 FTE for a net increase of $9,400,000 and 107 FTE. The program reductions are distributed as follows: $3,119,000 and 26 FTE as a result of productivity increases and a lower average cost per FTE; $890,000 as a result of workload changes in the Working Capital Fund. Program increases are distributed as follows: $5,152,000 and 81 FTE to process increased workloads across several activities and $2,994,000 for increased space rental costs and $956,000 and 30 FTE to allow the Solicitor's Office to handle increasing Longshore and

Harborworker's Section 8(f) claims, $396,000 and 10 FTE for the Solicitor's Office to litigate Black Lung cases, $402,000 and 12 FTE for the Benefits Review Board to handle increasing Black Lung appeals, $900,000 ADP support for the Administration and Management activity, $10,000 for Employee's Compensation Appeals Board (ECAB) printing funds and $9,000 for upgrading ECAB's word processing equipment.

Departmental Management -- Special Foreign Currency

The budget request for Special Foreign Currency in Fiscal Year 1987 totals $67,000 which will support foreign service consultation and travel to a small regional conference for all Labor attaches in the region. This regional conference will contribute significantly to efforts to acquaint labor attaches with the current reporting needs of the Department, discuss strategies for achieving U.S goals in the international labor field, and to consider methods for increasing the effectiveness of the Labor attache corps.

I appreciate the opportunity to appear before the Subcommittee. Here with me today are other officials of the Department whose organizations are funded by this appropriation. We will be happy to answer any questions.

Biographical Sketch

THOMAS C. KOMAREK

Assistant Secretary for Administration and Management
Department of Labor

On October 7, 1983, Mr. Komarek was appointed Assistant Secretary of Labor for Administration and Management by Secretary of Labor Donovan with the President's approval. In this new position, he is responsible for directing the Department's activities in the areas of budget, personnel, administrative services, and information technology. Mr. Komarek also directs the Department's civil rights activities, internal equal employment opportunity program, and regional management activities.

Mr. Komarek came to work for the Employment and Training Administration (ETA) of the Department of Labor in 1971 as the Regional Financial Manager in the Boston Region. In Boston, he served in a variety of positions and left there as the Deputy Regional Administrator. Subsequently, he has served as Regional Administrator in Chicago and New York, and as ETA Comptroller in Washington, D. C. He was appointed Administrator, Financial Control and Management Systems in October 1981.

Mr. Komarek spent four years in the Air Force as an officer, followed by a year with Ingersoll Rand, Inc., as a Personnel Manager. He began his government career as a civilian in 1966 with the Post Office Department in Boston. He worked both in postal operations and financial management.

Mr. Komarek grew up in Omaha, Nebraska. He graduated from Dartmouth College with a degree in Economics. He also received a Master's degree in Business Administration from Northeastern University.

Mr. Komarek lives in the District of Columbia with his wife, Judy, and has two sons.

PRESIDENT'S COMMITTEE ON EMPLOYMENT OF THE HANDICAPPED

Mr. NATCHER. Mr. Russell.

Mr. RUSSELL. Mr. Chairman, in the interest of time, I will concentrate on our major objectives for the next year. You all have a copy of my complete statement.

I would like to also present Mr. Jay Rochlin, Acting Executive Director of the President's Committee. He comes courtesy of AT&T on a two-year executive loan. He is an expert from the Human Resources Department of that corporation.

In fiscal year 1987, our concentration will be in these areas: One, to develop a five-year action plan based upon employment issues and needs of persons with disabilities.

Two, to work with the Social Security Administration, insurance carriers and others to reduce disincentives that prohibit or discourage persons with disabilities from entering the labor force.

Three, to continue to expand and promote the Job Accommodation Network, a national computerized service for employers, providing information about accommodations for workers who are disabled.

Four, to provide technical, legislative and program support to the employment efforts of the Governors' and local Committees on Employment of the Handicapped to increase employment opportunities at the grass-roots level.

Five, to advise the President on policy, consult with the Congress on legislation, and coordinate with the Administration on the development and enforcement of regulations.

Six, to continue to hold State and local cross-cutting conferences, "Pathways to Employment," bringing together leaders from a variety of walks of life to discuss how people with disabilities can be prepared for jobs with promotional opportunities.

Seven, to develop projects which would bring people with severe disabilities into the labor force, for example, a national conference on work incentives for people with disabilities to seek employment.

Eight, to implement a high school high tech project for disabled students around the country.

Nine, to serve as the national resource on employment needs of people with disabilities.

And ten, to gather and disseminate information and technical assistance.

Thank you, Mr. Chairman. Those are our major objectives.

[The statement and biography of Mr. Russell follow:]

Statement by Harold Russell
Chairman of The President's Committee on
Employment of the Handicapped
Appropriations Subcommittee
Fiscal Year 1987 Budget Request

Departmental Management
Salaries and Expenses
President's Committee on Employment
of the Handicapped

Mr. Chairman, it is a pleasure for me to appear before you today to testify on behalf of our Fiscal Year 1987 budget. I welcome the opportunity to share some of the new plans developed over the past few months by the President's Committee as it prepares to move with greater efficiency and accountability to meet the challenges of increasing employment opportunities for our nation's citizens with disabilities.

We have come before you, each year, with planned projects and a record of on-going activities. The President's Committee's many achievements have occurred through the unique blend of Federal level guidance, private sector support and volunteer expertise. The Committee was created in such a manner that it could be free to adopt and use the best from the national, state and local levels and to push its many projects beyond what more conventional federal entities could attain. A small staff with a large body of volunteer committee members has allowed the Committee to mobilize thousands of individuals to work toward increasing the opportunities for training, for employment, for advancement and for retention of persons with disabilities.

There are differences of opinions when we talk of unemployment rates among our disabled citizens. But there is no disagreement on the essential reality -- the majority, most of whom are capable and desirous of working, are unemployed or underemployed. The underutilization or the lack of utilization of the skills and abilities of our citizens with disabilities and the nation. The high cost of this practice continues to add to the Federal deficit. The current fiscal crisis gives added incentive to modify our attitudes about disabilities and to build an environment in which persons with disabilities have every opportunity to move into work situations and out of dependency roles.

In order for the Committee to more effectively address this crisis, we are restructuring our total operation. We are reorganizing the Committee and the staff in order to revitalize our spirit, renew our commitment and redirect our efforts.

The Committee today is ready to face the challenge with a vigorous attack on the array of barriers that have separated disabled citizens form their dreams of full participation. And, at the same time we are aware of the call for leaner and more responsive programs.

In FY 1987, our concentration will be in these areas: 1) to develop a 5-year action plan based upon employment issues and needs of persons with disabilities; 2) to work with the Social Security Administration, insurance carriers and others to reduce discentives that prohibit or discourage persons with disabilities from entering the labor force; 3) to continue to expand and promote the Job Accommodation Network (a national computerized service for employers, providing information about accommodations for workers who are disabled); 4) to provide technical, legislative and program support to the employment efforts of the Governors' and local Committees on Employment of the Handicapped to increase employment opportunities at the grass-roots level; 5) to advise the President on policy, consult the Congress on legislation, and coordinate with the administration on the development and enforcement of regulations; 6) to continue to hold State and local cross-curring conferences, "Pathways to Employment", bringing together leaders from a variety of walks of life to discuss how people with disabilities can be prepared for jobs with promotional opportunities; 7) to develop projects which would bring people with severe disabilities into the labor force, e.g., a national conference on work incentives for people with disabilities to seek employment; 8) to implement a high school/high tech project for disabled students around the country; 9) to serve as the national resource on employment needs of people with disabilities; and 10) to gather and disseminate information and technical assistance.

Mr. Chairman and Members of the Committee, you and I share the same goal -- a Nation that recognized the dignity, equality and the need for independence for every one of its citizens. You are ready -- I am ready -- and the President's Committee is ready. TOGETHER, we can make it happen! Thank you.

Biographical Sketch

HAROLD RUSSELL
Chairman
The President's Committee on Employment of the Handicapped
Department of Labor

Harold Russell has served as Chairman of the President's Committee on Employment of the Handicapped under five Presidents. He was appointed Chairman by President Johnson on April 18, 1964. And, he served under President Richard M. Nixon, President Jerry Ford, President Jimmy Carter and President Ronald Reagan. Before becoming Chairman, he served as Vice Chairman. He was appointed to this position by President John F. Kennedy in 1962. Mr. Russell a volunteer Chairman, devotes a major portion of his time to the President's Committee duties. He travels extensively promoting employment opportunities for persons with disabilities. Mr. Russell is also president of Harold Russell Associates, Inc., an affirmative action consulting firm in Massachusetts.

While serving as a sergeant and paratrooper instructor during World War II, he lost both hands in a war-time training accident in the Army, and became a national symbol of courage when he portrayed the role of Homer Parrish, a handless sailor in the movie, "The Best Years of Our Lives." For his performance he received two Motion Picture Academy Awards. In the spring of 1980, Mr. Russell completed a new movie, "Inside Moves," directed by Dick Donner. In 1949 Mr. Russell wrote his autobiography, Victory in My Hands, which has been translated into 20 languages and subsequently has written another book entitled Best Years.

Mr. Russell is a past National Commander of AMVETS, and is the only AMVET National Commander to serve three terms. He has served as Vice President of the World Veterans Fund, Inc., and has traveled throughout the world working with the world Veterans Federation, which he helped to organize.

In addition to the above accomplishments, Mr. Russell has worked with the American Red Cross, the National Conference of Christians and Jews, the Anti-Defamation League of B'nai B'rith and the National Easter Seal Society. He has served on the National Council on Vocational Rehabilitation from 1966-68, and is now a member of the Massachusetts Industrial Accident Rehabilitation Commission, the Advisory Council of Goodwill Industries of America, the People-to-People Committee for the Handicapped Board, and the National Restaurant Association.

Born in Sydney, Nova Scotia, Mr. Russell moved to Boston, Massachusetts, with his family at the age of six, following the death of his father, a telegraph manager. He attended public schools in Boston and nearby Cambridge, graduating from high school in 1933. He and his wife Betty reside in Hyannis, Massachusetts.

Mr. NATCHER. Mr. Russell, you have appeared before us on many occasions. Over what period of time, Mr. Russell? You were coming before I got here, I believe.

Mr. RUSSELL. I became a member of the President's Committee, serving under President Harry Truman in 1948. I was asked to serve as Vice Chairperson by President Kennedy and then appointed Chairman by President Lyndon Johnson in 1964, and served ever since.

I served as a volunteer, as do our Vice Chairpeople.

VETERANS' EMPLOYMENT AND TRAINING SERVICE

Mr. NATCHER. I served with seven Presidents, and you have served with eight. I knew you got here ahead of me.

Mr. Shasteen, do you have a statement you want to make to the committee at this time?

Mr. SHASTEEN. Yes, sir, Mr. Chairman.

VETERANS EMPLOYMENT

I have submitted my formal statement for the record, and I would like to summarize it by saying that our Veterans' Employment and Training Service fiscal year 1987 budget request is a net reduction of $1.45 million from the fiscal year 1986 appropriation.

Yet, it provides adequate funding within the requirements of Title 38 of the United States Code for all Congressionally mandated Federal and State-administered veterans' program positions.

The budget request reflects the fact that the Special Veterans' Programs, such as the Disabled Veterans' Outreach Program, the Local Veterans' Employment Representative Program, and the performance standards that are imposed by our agency on the State-administered Job Service Offices have been relatively successful in reducing veterans' unemployment.

The most recent figure we have nationwide for that unemployment rate for all veterans is 5.1 percent, which is 1.5 percent below the general population figure. For Vietnam-era veterans, the rate last month was 5.9 percent, which is still considerably below the general population's unemployment rate.

Our request is based on the perception that among the unemployed veteran population, the greatest need is for employability development and supportive services, to assist those who are the most disadvantaged among the veterans who are unemployed.

With the unemployment rate relatively low, the proportion of non-job ready veterans is higher, and we are targeting our resources to those special groups, the age groups, the Vietnam veterans in the middle ages, 30 to 34, on up to 39.

That is where the high unemployment rates are, and also disabled veterans, our top priority, and who are the most difficult to place. Therefore, to balance the need for services with the need for deficit reductions, our budget request features a requested increase in Title IV(c), Job Training Partnership Act funds for training and supportive services, and maintenance of the Disabled Veterans' Outreach Program staff, who are mandated by Title 38 to provide comprehensive services to disabled veterans and to disadvantaged Vietnam-era veterans, and direct services to veterans.

The decrease in our funding is being proposed in the local Veterans' Employment Representative Program, and it is justified by the fact that the State Job Service Agencies have proven their ability to deliver services on a priority basis to the job-ready veterans who comprise most of the agencies' veteran registrants.

The veterans' employment representatives are primarily supervisors for the delivery of services. They don't provide the direct services to veterans, but supervise, and they are in local offices between the level of the manager of that office and the personnel who actually deliver those services directly to veterans, including the Disabled Veterans' Outreach Program specialists.

So that in a nutshell is our proposed budget for the 1987 fiscal year, the reasoning for our budget.

[The statement and biography of Mr. Shasteen follow:]

Statement by Donald E. Shasteen
Assistant Secretary for Veterans' Employment and Training
Appropriations Subcommittee
Fiscal Year 1987 Budget Request

Departmental Management
Veterans Employment and Training Services

Mr. Chairman and Members of the Committee:

Thank you for this opportunity to discuss with you the Fiscal Year 1987 Department of Labor Budget proposal as it pertains to veterans' employment and training programs.

Before I provide details about budget matters, I would like to mention a few items about which we the Office of the Assistant Secretary for Veterans' Employment and Training (VETS) are especially pleased and enthusiastic. Making the Office of the Assistant Secretary for Veterans' Employment and Training the principal focus for administering veterans' programs within the Department has proven beneficial. The Vietnam-era veterans' unemployment rate (5.9%) now is below that of the general labor force (6.6%) in contrast to the situation four years ago. We believe improvements in the delivery of services have contributed to this progress.

For two years now we have operated a competitive grants program under the Job Training Partnership Act (JTPA Title IV-C), directed to meeting the needs of Vietnam-era, recently separated, and service-connected disabled veterans. We have been, and expect that we will continue to be successful in meeting those needs for two major reasons: the programs are planned at the State and local level; and, the grant process encourages the use of local matching funds. These factors should also contribute to achieving maximum results for our investment. Thus far, through this emphasis on matching funds, we have awarded about 140 grants and have almost doubled the amount available for special veterans' programs.

We have also had the opportunity to implement the Emergency Veterans' Job Training Program (EVJTA) in cooperation with the Veterans Administration. This major effort by two Federal agencies has proven to be very effective in helping long-term unemployed veterans. To date approximately 42,000 long-term unemployed veterans have been placed. In FY 1986, we are implementing P.L. 99-238, the successor to the EVJTA. The newest feature of this program is the "case manager" concept, under which the State Job Service agenices' Disabled Veterans' Outreach Program (DVOP) and Local Veterans' Employment Representatives (LVER) staff will take individual responsibility for ensuring the delivery of appropriate services to the program eligibles.

Additionally, we have seen improvement in the productivity of the State Job Service agencies for veterans, as measured by the degree of priority delivered to veterans. The most recent national data available showed that veterans comprised 12.7% of all Job Service applicant, and 13.7% of all individuals placed by the State agencies.

In addition to the employment and training services administered by the agency, the VETS also provides services authorized by Chapter 43 of Title 38, U.S. Code, to protect the reemplyment rights of veterans and reservists. Such rights include not only pay and seniority protections while the individuals are on active duty, but also protection of pension righs. With such protection, our national defense is enhanced since individuals, particularly reservists, would otherwise be reluctant to risk their full-time civilian jobs in order to serve in the military. Through efficient utilization of agency staff and emphasis upon settling cases through mediation rather than litigation, the agency is reducing case processing time, responding to more inquiries, and achieving resolution of more cases than in the past.

Overall, it is accurate to say that the Department is providing better services, more cost effectively, to veterans now than in the past, and that veterans' unemployment is declining significantly.

Our budget request for Fiscal Year 1987 is $131.5 million. Included in this amount is $118.4 million for grants-to-States, of which $69.5 million is for DVOPs and $48.9 million is for LVERs. The funding is for 279 Federal positions and 3,474 State agency positions allocated through grants-to-States.

The agency's request for DVOP and LVER funding is based upon the intention to maintain DVOP staff levels in accordance with the staffing formula set fourth in Section 2003 A of Title 38, U.S.C. DVOP staff provide direct services to veterans, as prescribed in the U.S.C., and one position is allocated for each 5300 Vietnam-era and disabled veterans residing in each State. These specialists are mandated by law to provide employment and employability development services to the most disadvantaged veterans, e.g., the disable and Vietnam-era veterans with severe barriers to employment.

LVER staffing will be reduced due to a demonstrated lack of need. Local Veterans Employment Representatives do not provide services directly to veterans to the degree that DVOP staff do, but instead are responsible for functional supervision of local offices' services to veterans. Since State Agencues are

exceeding the quantitative performance standards, there is not the need for as much supervision as is now provided. The agency will provide funding for approximately 213 fewer LVER staff years in FY 1987 than in FY 1986. This will be effected primarily by reducing positions from full-time to a part-time basis in an estimated 450 local offices. The actual number affected will, of course, be dependent upon the actual position costs for FY 1987.

Emphasis will continue in FY 1987 on DVOP and LVER involvement in intensive job development and placement activity. In addition, these specialists will continue their efforts in coordination with service providers under the JTPA, community based sevice organizations, and other supportive service agencies to ensure the provision of comprehensive sevices to veterans.

For the JTPA Title IV-C program administered by the agency, the competitive grant application system for award of grants to the States and/or Service Delivery Areas will continue. The budget amount for Veterans' Employment Programs under JTPA, Title IV, Part C, is $10.5 million for FY 1987. As you are aware, Mr. Chairman, this funding level is determined by a formula contained in the Job Training Partnership Act. As I stated earlier, we expect that we will continue to have an effective program due to the competitive structure and the preference given to those applicants that match or exceed the grant amount with local funds.

In closing, I would like to thank you for this opportunity to discuss the FY 1987 budget and how it affects veterans' programs. I am confident that with the requested budget we can continue the progress toward secure employment for all veterans and reservists, who with their dependents comprise approximately half of our nations populace. I will be pleased to answer any questions you may have.

Biographical Sketch

DONALD E. SHASTEEN
Assistant Secretary for Veterans' Employment and Training
Department of Labor

Donald E. Shasteen was confirmed as Assistant Secretary for Veterans' Employment and Training by the Senate on June 19, 1985.

As Assistant Secretary, Mr. Shasteen is the principal advisor to the Secretary of Labor with respect to the formulation and implementation of departmental policies and procedures to carry out the purposes of Chapter 41, Chapter 42 and Chapter 43 of Title 38, United States Code; and all other Department of Labor employment and training programs to the extent they affect veterans.

Prior to his appointment as Assistant Secretary, Mr. Shasteen served as Deputy Assistant Secretary for Veterans' Employment from January 31, 1983, and as Deputy Under Secretary for Legislation and Intergovernmental Relations in the Labor Department from February 1981.

Mr. Shasteen is a Capitol Hill veteran and former news reporter and executive. He was the Republican nominee for the U.S. Senate from Nebraska in 1978. Following President Reagan's election in 1980, Mr. Shasteen served as co-director of the Senate transition assistance team for the Senate Republican Conference, providing orientation for new Republican senators.

A graduate of the University of Colorado at Boulder, Mr. Shasteen was a statehouse reporter with the Omaha World Herald and a reporter for the Casper, Wyoming, Tribune Herald. He served in a U.S. Army psychological warfare unit in 1951 and 1952.

Mr. Shasteen was executive assistant to Senator Carl T. Curtis of Nebraska from 1966 to 1973, and administrative assistant from 1973 to 1978. Mr. Shasteen was administrative assistant to Senator Gordon J. Humphrey of New Hampshire in 1979 and 1980.

Mr. Shasteen is a part president of the U.S. Senate Association of Administrative Assistants.

In addition to his work on the Senate transition team in 1980, he was also managing editor of the news division of the Broadcast Consultant Corportation of Leesburg, Virginia.

A native of Englewood, Colorado, he is married and has two sons and two daughters. He lives with his wife, Shirley Mae, in Potomac, Maryland.

Mr. NATCHER. How long have you been the Assistant Secretary for Administration and Management, Mr. Komarek?

Mr. KOMAREK. Approximately two and a half years, Mr. Chairman.

SPACE MANAGEMENT

Mr. NATCHER. During this time, what would you cite as a few of the most significant management or administrative improvements in the Labor Department?

Mr. KOMAREK. We have several things we are very proud of, Mr. Chairman. We have been working on a program within the Department to reduce space allocations. You will see throughout the budget, this year, a very large increase in the space accounts.

That is not because we have been ignoring the need to reduce space. Between 1981 and the present, we have decreased space from 220 square feet per person to 172, and we have an objective to get that down to 135 square feet per person.

Within the next year, we will be able to move the Employment Training Administration from the Patrick Henry Building into the Francis Perkins Building, and save $8 million in lease costs.

Most of the savings will be realized in the SLUC rate increase from the GSA, so although we will be saving $8 million a year in rent most accounts will be increasing costs of rent to the Department.

We would have been much worse off if we had not embarked on a heavy space reduction program.

TELECOMMUNICATIONS

The savings we have been able to generate in the telecommunications area by tightening down on the use of FTS have saved the department $3 to $5 million.

ADP MANAGEMENT

Lastly, in the area of information resource management, or automatic data processing within the Department, you will recall that two years ago, the committee had just received a very negative report from a review group that indicated that there were many problems in the information resource management area of the Department.

We have worked very hard over the last two and a half years, and have made a lot of progress. We still have more to do, but for the first time in the past year, every Departmental agency has a five-year ADP plan also, we have a draft Departmental ADP plan, and for the first time an inventory of every single piece of ADP equipment in the Department.

So those three areas, ADP management, space management and telecommunications management, are the management improvements that I am very proud of.

GRAMM-RUDMAN-HOLLINGS REDUCTIONS

Mr. NATCHER. As a result of the Gramm-Rudman law, the Departmental Management account, as you know, will lose $5.127 million and 81 full-time employees in 1986.

Could you summarize for us briefly now the effect of the 1986 cuts?

Mr. KOMAREK. Within the Departmental Management account, Mr. Chairman, I think that in most cases, we will be able to get by without having any furloughs. We started early in the Department to have an employment freeze. We put that on in December, and as a result of that employment freeze, most of the Departmental Management account, with the possible exception of my own Administration and Management area, but most of the Departmental Management account will be able to absorb this first Gramm-Rudman reduction without furloughs, and by belt-tightening and trying to avoid spending on anything we don't need to spend on.

However, if there are further reductions under Gramm-Rudman next fiscal year, it would be very, very difficult for this account to absorb those kinds of reductions.

Mr. NATCHER. Go into detail for the record a little more, please.

[The information follows:]

Departmental Management
FY 1986 Gramm-Rudman-Hollings Reductions

	$ in 000's	FTE	Program Effect
Exec. Dir....	$ 485	9	Decreased ability to provide for a more centralized approach to management of DOL policy and programs as recommended by the recent GAO report on DOL management.
Legal Affair.	1,909	10	Increased case backlogs and decreased contract litigation support in connection with the Teamsters Central States, Southeast and Southwest areas of the Pension and Health and Welfare funds.
ILAB.....	181	3	Decreased support of foreign policy objectives in trade and labor force issues.
Admin.& Mgmt	946	23	Decreased ability to provide improved financial management, productivity improvements and ADP oversight, as recommended by the recent GAO report on DOL management.
Adjudication	1,134	26	Increased case backlogs in all program areas.
PCEH.....	92	3	Decreased support to State and local governments on employment of the handicapped.
Women's Bureau....	234	4	Decreased projects and technical assistance on women's employment issues.
Civil Rights	146	3	Decreased support in civil rights activities.

Mr. NATCHER. Are all of the reductions restored in the 1987 budget?

Mr. KOMAREK. Mr. Chairman, there are a lot of pluses and minuses within the Departmental Management account. The budget itself will read as if there is an increase beyond the Gramm-Rudman level in the Departmental Management account.

As you cited earlier, in terms of FTE, there was a Gramm-Rudman reduction of 81, and we are asking for an increase of 107 from the reduced Gramm-Rudman level, so that is an actual net increase, which includes thirty seven for adjudication and thirty five for solicitor-increases necessary to increase the output of black lung and othre benefit cases.

So, the fact of the matter, although as some would indicate, we have a net increase, in fact, we will be having a net decrease when you discount the impact of comparative transfers.

VETERANS' PROGRAMS

Mr. NATCHER. The Veterans' Employment Services account loses $5.718 million and 14 full-time employees in 1986.

Mr. Shasteen, what effect will this have?

Mr. SHASTEEN. Mr. Chairman, we have for the first time, as a result of the Gramm-Rudman cuts, applied the new formula for allocating funds to States for the local Veterans' Representative Employment Program.

Previously, that program was one LVER for each 1,000 new or renewal applicants who were veterans the previous year or 6,000 veterans resident within the geographical jurisdiction served by that local office.

Regulations that were put in place in 1984 eliminated the 6,000 residential requirement. Therefore, for the first time now, as a result of Gramm-Rudman, we are implementing those new regulations providing for one veteran employment representative position for each local office having 1,000 or more new or renewal applicants.

That has caused a reduction in some States based on a reduction in funding for those positions, and therefore, a reduction in the number of positions.

Mr. NATCHER. Are the reductions restored in 1987?

Mr. SHASTEEN. No, sir, they are not. In 1987, the budget shows a total decrease of 213 positions as we continue eliminating, based on the reduction in funding which began with the final 1986 application of Gramm-Rudman.

We are able to comply with the requirements of the law, but beginning in 1987, we will not be able to meet the numerical formula requirements of the regulations in the LVER program.

PRODUCTIVITY IMPROVEMENTS

Mr. NATCHER. On page 5 of the Departmental Management justifications, you show a 1987 reduction of $3.119 million and 26 full-time employees for a savings through productivity improvements.

What is the basis for this cut?

Mr. KOMAREK. Mr. Chairman, you will see cuts like this throughout the entire Department. The President earlier this year an-

nounced a productivity program for the Executive Branch, and the objective of that program is to, over a five or six-year period, try to show a 20-percent productivity increase throughout the Executive Branch.

We have applied generally a 3.2-percent productivity increase across all accounts. In some accounts where we were in need of increasing output, we allow that agency simply to keep their staffing constant and increase their output by 3.2 percent.

In other cases, we asked agencies to decrease their staffing by 3.2 percent, and keep their output constant, but each agency, we will be asking those agencies via a variety of means to try to improve productivity by that 3.2 percent.

Also, using the A-76 program, to contract out programs in the Department which could be done better by the private sector.

Another kind of variance on the A–76 program is in areas where it is not appropriate for the private sector to come in and take over the program, because it is a governmental function, we will be doing efficiency reviews to see if we can increase productivity.

In other areas, Mr. Chairman, our plans are to try to reduce overhead, cut out some of the layers of supervision, and keep in place the workers that we have. We hope this will add up Department-wide to a 3.2-percent productivity increase.

WORKING CAPITAL FUND

Mr. NATCHER. You also show a saving on page 5 of $890,000 for a workload adjustment in administrative support. What is the basis for that?

Ms. WYRSCH. That is essentially reductions in payments to the Central Administrative Working Capital Fund units, and you will see that in the pieces of the Departmental Management account, and that is a summary figure.

SPACE RENTAL

Mr. NATCHER. On page 7 of the DM justification, you show an increase of $3.462 million, or 50 percent, for space rental. How can that be justified?

Mr. KOMAREK. It was very hard to justify, Mr. Chairman. We, in the Department, have really done yeoman work to try to reduce the amount of space that we occupy.

In 1981, the Department utilized 220 square feet per person, and we have got that down now to 172 per person, and our objective is by 1990, to get that down to the 135, 140 square feet range.

The problem is at the same time we have been cutting back on the amount of space we have been using, we were informed by the GSA that our standard level user charge, rental rate, is going from $14 a square foot to close to $24 a square foot, an increase of 72 percent.

So, in spite of the fact we have been very successful in reducing the amount of space, it is this very large increase in the rental rate being charged the Department by GSA that is accounting for all these increases in the Department's budget.

Mr. NATCHER. Will you have the same amount of space in 1987?

Mr. KOMAREK. No, sir, we are trying to reduce the amount of space in the Department, and by fiscal year 1987, Mr. Chairman, we hope to have the Employment Training Administration moved into the Francis Perkins Building, our main, and we will save $8 million a year in terms of lease costs.

The problem is this 72 percent increase in rental rate which makes almost all our space reduction efforts almost pale this increase in rental.

BLACK LUNG PROGRAMS

Mr. NATCHER. It appears you are requesting 22 additional employees for black lung appellate workload in 1987. Is that correct?

Mr. KOMAREK. Yes, sir.

Mr. NATCHER. Isn't that substantially below the level outlined by the Secretary in his black lung proposal last fall?

Mr. SALEM. I am George Salem, and I had the privilege of chairing the Secretary's Black Lung Task Force. The 22 positions you are referring to were for fiscal year 1986.

We are only asking for 10 additional positions for black lung in the Solicitor's Office for fiscal year 1987, which will allow the Solicitor's Office to handle the additional output generated by the Benefits Review Board and the higher caseload at the Court of Appeals.

Mr. NATCHER. In your justifications, doesn't it come up to 22 in 1987?

Mr. SALEM. For the Solicitor's Office, we have requested a total of 40 FTE to support the Black Lung and the Longshore Legal Programs, and 30 of those are for Longshore, 10 are for staff in the Black Lung Program.

Ms. WYRSCH. We have a total increase in Departmental Management of 22. 10 are for the Solicitor's Office, and 12 are for the Benefits Review Board in terms of increased staff.

Mr. NATCHER. Isn't this substantially below the figure the Secretary used last fall?

Ms. WYRSCH. I believe at one point in our deliberations, we were using total figures for additions to the Solicitor's Office, Administrative Law Judges and Benefits Review Board of 141 in 1987. That would have included the 82 we received in 1986, plus some additions.

We are seeking only 104 increase, and that reduction from the original 141 was shared with the Congress in terms of our reestimates of our workload.

Mr. NATCHER. As you know, on our committee, we are very much concerned about your backlog in regard to your Black Lung cases.

What do we have, four, five years, as far as the backlog?

Mr. SALEM. It is a very serious one, one which we are not very proud of. The Secretary's task force recommendations were to bring the backlog down from what, by some estimates, is seven years, to a backlog of one year, within a four-year period.

Mr. NATCHER. Mr. Salem, the thing that concerns us on our committee is the fact that with the seriousness of the situation in regard to the backlog and the number of cases pending, you are asking for a lower figure than the Secretary has indicated.

Ms. WYRSCH. No, Mr. Natcher, that is not correct.

Mr. NATCHER. Your are not requesting a lower number?

Ms. WYRSCH. I believe our request in total resources was 104.

Mr. NATCHER. You check this now. I want you and Mr. Knisely to agree. See if you can't agree on this. It is a serious matter.

Mr. Salem, do you agree?

Mr. SALEM. Absolutely.

Mr. NATCHER. How many black lung cases are pending for five years or more?

Mr. SALEM. We can supplement the record on that. We have approximately 21,000 cases, however, that are pending right now at the Administrative Law Judge level.

Mr. NATCHER. 21,000.

Mr. SALEM. As to how many have been pending for five years, I couldn't answer.

Mr. NATCHER. When we have those questions on the Floor, they want to know about it.

You have given us a figure now as to the black lung backlog at the Office of Administrative Law Judges, total cases. What is the number of—

Mr. SALEM. The Chief Administative Law Judge is here.

Judge LITT. We have 21,502 cases pending.

Judge RAMSEY. As of the close of business January 31, the Board had 7,162 pending appeals, of which 5,565 were black lung, and the remaining 1,579 were longshore or DCWC cases. None of these cases are over four years old.

BLACK LUNG POSITIONS

Mr. NATCHER. One more time now.

We understood from the Secretary the figure was 59. Are you talking about 22. Are you saying 22 instead of 59?

Ms. WYRSCH. No, sir, I think we will have to talk to Mr. Knisely. We will work that out.

Mr. NATCHER. We ought to help you a little bit on this now. Will you hire all of the additional black lung staff provided by Congress in the 1986 appropriation bill? Will you take care of that?

Mr. SALEM. Yes, sir, we are well on our way, Mr. Chairman.

Mr. NATCHER. Tell us how far along you are.

Mr. SALEM. We have six positions filled, and have offers extended to two more in the national office. The remaining positions are for our regional offices.

They were given authorization to hire last week, so we will have additional attorneys in Philadelphia, Arlington, Atlanta, Nashville, Chicago, Cleveland, Dallas and the Kansas City-Denver area.

Mr. NATCHER. What about the ALJs?

Judge LITT. We currently are 17 positions shy of the authorized positions we were given in fiscal year 1986. We are opening a new Camden office, which we will be in hopefully the next month, which is staffed with six Administrative Law Judges, six law clerks and seven secretarial, I believe.

So we believe that we have done quite well in terms of filling positions that are not that easy to fill.

The other positions we have added to are in our other offices around the country handling predominantly black lung work, which is what this appropriation was for, and we expect to be at full strength within the next two months.

Mr. NATCHER. At what grade level will you hire the additional Administrative Law Judges?

Judge LITT. That has been a matter of contention. We have been attempting to convince the Office of Personnel Management. They have not yet agreed to a single grade for Administrative Law Judges, although we believe positive action will be taken soon. We have been hiring at the grade 15 level, with the understanding among those that are recruited, that there is a strong likelihood it will be at the grade 16 level.

We have been successful recently in convincing other agencies to enter into a loan program with us, and I had a conversation earlier today with the Chief Judge of the National Labor Relations Board. We expect to pick up about five judge years from them on a loan program that we hope to have in place before the end of this week.

APPELLATE ORGANIZATION

Mr. NATCHER. For the record, if you will, provide a detailed written statement concerning your response to the recommendations made by the Inspector General, with respect to the Department's appellate organizations. We will appreciate it.

[The information follows:]

APPELATE ORGANIZATION

We are still exploring the feasibility of reorganizing the Department's appellate bodies. As noted in the OIG report, which was received March 13, there are a number of policy considerations that would have to be resolved, particularly concerning the consolidation of the Benefits Review Board and the Employees' Compensation Appeals Board. Once we have completed a review of the recommendations submitted by the OIG, we will be in a position to respond further to your request.

SOLICITOR'S EMPLOYEE BENEFITS STAFF

Mr. NATCHER. The Inspector General criticized the Solicitor's Office last year for having insufficient staff assigned to the Division of Employee Benefits. What steps have you taken to deal with this matter, Mr. Salem?

Mr. SALEM. Yes, Mr. Chairman. The semi-annual report of the Inspector General cited a deficiency in the Solicitor's Office. As of now, the fiscal year 1986 appropriation provided for an increase of 22 positions to support the black lung program, and I described what we have done to fill those positions.

In the Employee Benefits Division, we have six on board, offers extended to two more and the rest at this stage will go to the regional offices. In fiscal year 1987 we have requested 10 additional positions for black lung.

Mr. NATCHER. In the Department's most recent year-end report to the Congress pursuant to the Federal Managers' Financial Integrity Act, we find a number of statements concerning staffing in the Solicitor's Office.

I want to quote a few to you, and I quote: "The Solicitor's Office has initiated steps to double the legal staff for black lung benefit cases in 1986 * * *."

"Legal support for Longshore and Harbor Workers' cases is expected to double by April 1986 * * *."

"Staff levels for FECA legal support have now been increased * * *."

"The Solicitor's Office has increased staffing to now adequately support legal activities in the Tort Claims area."

In spite of these statements, we find in your justification no 1986 staff increases for three of those areas, and only a moderate increase for black lung. What about that, Mr. Salem.

Mr. SALEM. We have requested 30 FTEs in our 1987 budget for the Longshore area.

Staff levels for FECA legal support have also been increased, enabling the Employee Benefits Division to review all cases before the Employees' Compensation Appeals Board, fully brief all cases involving the most complex and significant issues before the ECAB, and to respond to requests for legal advice in the Workers' Compensation Program in a timely manner.

We have increased staffing to support legal activities in the tort claims area. All 50,000 administrative asbestos claims filed over the past several years have been appropriately processed, and are either in litigation or are awaiting further action by the claimant. Therefore, the Solicitor's Office is providing adequate legal support.

SOLICITOR'S PRODUCTIVITY IMPROVEMENTS

Mr. NATCHER. On pages 31 and 32, you propose reductions in the Solicitor's Office totaling $1.719 million and 15 FTEs. What effect will these reductions have on your case backlogs?

Mr. SALEM. The reduction of 15 full-time equivalents is an effort to achieve productivity increases throughout the Federal Government pursuant to the President's program.

We are hoping that the Solicitor's Office output will not change as a result due to the kinds of automated support services described to you earlier.

PRESIDENT'S COMMITTEE ON EMPLOYMENT OF THE HANDICAPPED

Mr. NATCHER. How much are you requesting in 1987 for the President's Committee on Employment of the Handicapped, Mr. Russell? Does that exceed the amount authorized by law to be appropriated?

Mr. RUSSELL. I think at this time, legislation has been proposed that would raise that ceiling, so the amount of monies appropriated can be equal to whatever is necessary to carry on the program, Mr. Chairman.

Mr. NATCHER. What is the amount you are requesting?

Mr. RUSSELL. This year we are requesting $2.408 million. I might add, Mr. Chairman, we did not request any program increases other than the 3 FTE above the 1986 level in our budget for fiscal year 1987, but adjustments were apparently necessary in order to collect increases in operational costs. Our budget reflects $364,000 which we did not request.

Maybe Mr. Komarek can explain this.

Mr. KOMAREK. The only program increase in the President's Committee, provides the 3 FTE which were cut under Gramm-Rudman, but the PCEH, just like most of the rest of the Department, is going to have to pay more for rent.

They also received a mandatory increase for within grades, so in terms of the budget, in reality what is being requested for the PCEH is a straight-ahead budget.

Mr. NATCHER. And legislation has been submitted to raise that ceiling?

Mr. RUSSELL. It is my understanding that legislation has been submitted, to the House, Mr. Chairman.

PCEH REORGANIZATION

Mr. NATCHER. All right.

What about your reorganization in 1986? What do we have, Mr. Russell?

Mr. RUSSELL. May I say this, Mr. Chairman, we are completely reorganizing to meet our obligations in the coming years.

First of all, we are reorganizing our staff. Mr. Rochlin is here to provide leadership in planning and carrying out these changes because of his expertise in handling such matters in the private sector. This reorganization will be implemented as soon as the Federal personnel regulations will allow.

We held a retreat December 15–17, 1985, bringing together individuals representing disabled consumers, industry, labor, veterans and others, all concerned with employment problems of people with disabilities, to review our missions and functions. As a result of the retreat we have developed a new mission statement which reads, "The President's Committee on Employment of the Handicapped is to provide leadership to achieve maximum employment of people with disabilities by seeking and developing and providing information and identifying and promoting training necessary to increase levels and the quality of employment."

There is a real need for the President's Committee to continue to address the employment issues and problems people with disabilities. Mr. Monroe Berkowitz a Rutgers University Professor, and a nationally acknowledged expert in the economics of disability has identified the total 1981 cost of disability, to be $111.6 billion. This includes $44.1 billion for medical payments, $64.1 billion for transfer payments and $3.4 billion for direct services.

And we are now reorganizing the whole Committee, with the idea of identifying ourselves with our new mission goals that I outlined earlier.

Mr. NATCHER. Mr. Russell, we have always believed on this side that the President's Committee on Employment of the Handicapped has produced benefits for our people. We have believed that all down through the years on this side.

Last time, there was a reduction of about 50 percent on the other side. We put that back, as you know, in conference.

Mr. Russell, what effort do you make to coordinate your work with the National Council on the Handicapped?

NATIONAL COUNCIL ON THE HANDICAPPED

Mr. RUSSELL. We are very supportive of the council's work. They have a necessary role to perform but, their function is rather different from ours. They review Federal programs and make recommendations to the Congress and the President.

Our job, is to reach out and bring together private sector employers, experts in the field of education and employment, and people with disabilities, to utilize their knowledge and expertise in our efforts to increase training and employment opportunities for disabled people. These volunteers give of their time and pay their own expenses, because they believe in our mission and they serve under the banner of the President of the United States.

In other words, Mr. Chairman, what I am trying to say is the amount returned, in terms of expertise, in terms of developing programs, and in terms of employment of people with severe disabilities is much, much greater than the small amount appropriated to the Presidents' Committee staff.

Mr. NATCHER. Mr. Russell, you have been good for this country, I have heard some of your speeches. Tomorrow is another day.

WOMEN'S BUREAU

What projects would the Women's Bureau support in 1987 with the million dollars in project funds?

Mr. KOMAREK. Mr. Chairman, I will let the Deputy Director of that Bureau answer that question.

Mr. NATCHER. Good. Go right ahead, Ms. Emery. We wanted you to talk a little, anyway.

Ms. EMERY. Mr. Chairman, for this fiscal year we have a corporate linkage model which we are in the process of negotiating right now and we will have an evaluation of that model in FY 1987.

We also propose for FY 1987 a research project to assess employment opportunities for women at every level in the service sector.

We are moving away from manufacturing and into the service producing sector which tends to employ the largest number of women.

Further, in 1987 we will look at women in poverty, and will fund a research project on continued high levels of poverty among women, to define an appropriate policy and program role for governmental organizations and the private sector. We are also and looking into a project involving dependent care responsibility to determine the impact on women in the labor force, who are not only the care takers for children, but also for dependent parents and others.

DISABLED VETERANS' OUTREACH PROGRAM

Mr. NATCHER. Thank you.

You are requesting $69.450 million for the Disabled Veterans' Outreach Program in 1987. How many State positions will that support?

Mr. SHASTEEN. That will support 1,894 base positions, plus the equivalent of 162 overhead or administrative overhead positions.

Mr. NATCHER. Why shouldn't the increase of $4.543 million on page 4 of the justifications be shown as a "built-in" increase instead of a "program" increase, since it is mandated by law?

What about that, Mr. Shasteen?

Mr. SHASTEEN. I think I would defer to Mr. Komarek on that question.

Mr. KOMAREK. I believe I will let Mary Ann answer that one.

Mr. NATCHER. Go ahead now.

Ms. WYRSCH. Because the 1987 request would provide staff at a level that exceeds the 1986 post Gramm-Rudman-Hollings level, a program increase would in fact, occur between the two years. This is why the amount is shown as a program rather than built-in increase.

Mr. SHASTEEN. Well, Mr. Chairman, the law requires us to provide one position for each 5300 Vietnam-era disabled veterans, and that covers not just the salary and benefits for each position. It also includes the non-personnel services and administrative overhead costs.

And when Gramm-Rudman came along, it took from our combined DVOP and LVER total, $5.159 million. We took the entire amount out of our LVER program and kept the DVOP program in compliance with the mandate of Title 38, so we have asked for an increase in those DVOP funds of $7.338 million from the level after Gramm-Rudman, but only $3.580 million over the level before Gramm-Rudman for the DVOP program.

LOCAL VETERANS' EMPLOYMENT REPRESENTATIVES

Mr. NATCHER. Why are you proposing a program reduction of $6.130 million for the local veterans' employment representatives?

Mr. SHASTEEN. To fulfill our portion of the deficit reduction responsibility. The local veterans' employment representative program, by law, is more flexible.

It requires one LVER in each local job service office having 1000 or more new or renewal applicants, and allows us to fund a partial position in the offices that have a demonstrated lack of need so it is the law where we have the flexibility to take a reduction, if it is necessary to take a reduction.

The LVER is the functional supervisor of the delivery of services to veterans. There is one in each office having 1000 or more new or renewal applicants, and he or she has that responsibility.

If the office is functioning the way it should, veterans receive preferential services, whether that person is there or not.

It is the responsibility of the entire office to deliver those preferential services to veterans in counseling, referral to training or referral to jobs, so the LVER is the middle level supervisor between the manager in that office, and the people who actually deliver the services.

We are retaining the full formula, the full number required by law, of DVOP positions, the people who deliver the services to veterans, and taking our reduction in the LVER program.

VETERANS' SERVICES

Mr. NATCHER. Will there be a reduction in veterans' services? Generally speaking?

Mr. SHASTEEN. Mr. Chairman, theoretically there should not be. From a practical standpoint, we will be watching it very, very closely. With the gradual tightening up of the programs in the past two years, we have actually had an increase in productivity by the employment service in delivering services to veterans.

Let me cite the figures we are following very closely. During the most recent program year, for which I received figures last week, 31 percent of all disabled veterans registered with the employment service were placed in jobs, an increase from approximately 8.7 percent the previous year.

Of all Vietnam-era veterans registered with the employment service, 27 percent were placed in jobs, an increase from 25.5 percent the previous year.

Of all veterans, 25 percent were placed in jobs, and that was an increase from approximately 24 percent the previous year, and all—of all persons who registered with the job service, my recollection is 23 percent, or 1 percentage point less than the total number of veterans, 23 percent were placed in jobs, an increase from 21 percent the previous year, so our productivity level went up.

Whatever resources we are given to accomplish this task, we believe the most important thing is to have the direct services for those veterans.

If the manager of that local office is capable of fulfilling the responsibility mandated by law, seeing that those services are delivered to veterans, then we don't need as much funding of LVER positions in between, in the mid-level supervisory range.

We are going to be watching it very carefully. We are interested in increasing our productivity.

Mr. NATCHER. Last year, as you know, we had a House Floor amendment that was offered on the veterans' programs because population data used to calculate the budget request was a little off.

When the amendment was offered, it convinced us, and we accepted the amendment. We did the right thing?

Mr. SHASTEEN. You certainly did. Those positions were undercosted in compliance with the law, and the amendment corrected the problem. Then, of course—and we funded all of those positions and Gramm-Rudman came along and we have had to make some cuts back as a result of that.

Mr. NATCHER. What about the data this time? Is it good?

Mr. SHASTEEN. Yes, sir, it is very good. We have made it clear we will be losing some 213 positions, LVER positions, but they are costed correctly.

ADP MANAGEMENT

Mr. NATCHER. Tell the committee briefly what further progress the Department has made during the past year with respect to the management of its ADP resources.

Mr. KOMAREK. This has been a problem area in the Department, and we have concentrated a lot of effort on this particular area in the past year.

We have, first of all, developed an inventory of all the ADP equipment throughout the Department, all the software throughout the Department, and all the people who are able to work in this very critical area throughout the Department, so we would have the ability to utilize resources across agency lines within the Department.

The second thing was to require every agency to do a five-year ADP plan, and we have rolled that up just in the past month into a Departmental ADP plan.

I just read the first draft of the Departmental plan this morning, and I am very, very pleased with it, Mr. Chairman. When we send it up to you, you will be very pleased with it.

We have formed in the Department in the past year an Executing Steering Committee to oversee the ADP process within the Department. The primary criticism received in this area was we had individual agencies going off on their own, purchasing equipment, developing ADP systems without any central review to ensure, for example, that one agency wasn't purchasing something when another agency had excess capacity.

We now have an Executive Steering Committee chaired by the Under Secretary, consisting of all executives in the Department, and any major purchases will be reviewed by this committee.

We have made progress in the last year and will continue to make progress in the next.

Mr. NATCHER. We will insert the Secretary's recent letter on this subject.

[The information follows:]

U.S. DEPARTMENT OF LABOR,
SECRETARY OF LABOR,
Washington, DC,
February 13, 1986.

Hon. WILLIAM H. NATCHER,
Chairman, Subcommittee on Labor, Health and Human Services, Education and Related Agencies, Committee on Appropriations, U.S. House of Representatives, Washington, DC.

DEAR MR. CHAIRMAN: I am pleased to submit this report in compliance with your request. In our judgment, the Department has taken significant steps to better manage its use of information technology. We have:

issued a long-range ADP Strategy for the Department;
established a firm planning base and began top improve on it;
made significant improvements in the Department's ADP procurement review process;
increased the accuracy of the Department's inventory of ADP hardware and software;
defined the telecommunications configuration for data transmission in the Department; and
initiated an IRM Review program.

Several of these accomplishments will be addressed in more detail in the context of our response to the four areas on which the committee has asked the Department to report (enclosed). I trust that the Committee will find from our response that the Department has taken major steps to exercise effective management control in this important area.

Very truly yours,

WILLIAM E. BROCK.

Mr. NATCHER. Also, for the record, provide a table showing ADP expenditures by agency in the Department from 1985 to 1987. Also provide a table showing any new or enhanced ADP activities in the Department in 1986–1987.

[The information follows:]

ADP EXPENDITURES

The following are the Department's Information Technology Budgets for FY 1985–FY 1987:

[Dollars in thousands]

	FY 1985	FY 1986	FY 1987
ETA	13,451	17,274	12,097
ESA	32,481	31,818	32,221
PBGC	7,208	6,787	7,040
BLS	24,106	22,541	23,478
OSHA	8,555	6,790	7,385
MSHA	7,491	7,443	7,695
PWBA/OLMS	6,145	4,428	5,690
OIG	3,110	2,164	1,546
DM/S&E	12,890	12,092	13,462
Totals	115,437	111,337	110,614

Source: Agency 43–A Exhibits.

ADP ENHANCEMENTS

ADP enhancements for 1986–1987 are for increased computer time as well as for personnel system processing in the Departmental Management account ($900,000) and for continued development of a comprehensive ERISA database system ($1.1 million) within the Pension and Welfare Benefits Administration.

ADP INCREASE

Mr. NATCHER. Why does the Administration and Management activity in the DM account require a $900,000 increase for ADP in 1987?

Mr. KOMAREK. Mr. Chairman, the Administration and Management account provides support to many different accounts within the Department, and we are experiencing some increases in costs.

We have recently been able to have our personnel management system, which we have recently automated, run for free by the Department of the Navy.

We do not think that operation is going to continue to be a free good to us into the future, so that is a part of the increase. As we go forward in the future, we may have to pay a little bit more to the various service bureaus.

We have recently completed in the Administration and Management area, because of my concern about increases in unit costs for these kinds of services, a review of all the systems within Administration and Management, and cut back some of the ones that are less important, so that we could minimize the cost increases in this particular account.

But the basic reason again for the increase is, number one, the fact that we are now getting some services free from the Navy, which won't continue; and number two, we expect some increase in the cost per unit in terms of our various service bureau contracts.

Mr. NATCHER. Thank you, Mr. Komarek.

We want to thank all of you ladies and gentlemen who have appeared today in behalf of your budget request for fiscal year 1987.

This has been a good hearing, and we appreciate it. Thank you very much.

The committee will now adjourn until 10:00 in the morning.

[The following questions were submitted to be answered for the record:]

GAO MANAGEMENT REPORT

Mr. Natcher: GAO pointed out in its recent management report on the Department that despite major policy shifts over the last five years, the Department has reduced its emphasis on program evaluations at the Secretarial level. Has this area received renewed attention?

Mr. Komarek: The Department's new management system--the Secretary's Management System--which Secretary Brock described earlier requires the initial establishment of broad long-term Secretarial goals for the Department. Secretary Brock has established three such goals, one of which includes a specific action requirement to "institute a credible and useful evaluation process". The Department has also specified several milestones directly related to the recommendations in this area of the GAO Management Report. Accordingly, with both of these thrusts underway, it would be fair to say that program evaluations at the Secretarial level are receiving renewed attention.

Mr. Natcher: What role does the Department see for program evaluations in the future?

Mr. Komarek: The planning activity described above is designed to result in establishment of a new evaluation process this fall that meets the Department's current needs. Until the design and parameters of that new process are approved by the Secretary, it is not possible to provide a specific answer to the question. However, in general the Department views program evaluations as an essential ingredient of policy formulation and program development. Well-structured and timely program evaluations provide needed information on the efficiency and effectiveness or impact of service delivery, and are therefore a highly significant input to all major management functions--legislative proposals, regulations, resource levels, etc.

Mr. Natcher: GAO recognized some positive actions Labor had taken to strengthen its capability to plan its work-force needs and to improve personnel management. GAO suggested additional actions that should be taken.

What has the Department done to better identify and plan for its staffing needs and manage the staffing process to ensure minimal disruptions to operations in the future?

Mr. Komarek: One of the goals in the Secretary's Management System focuses very heavily on workforce planning. There are, of course, a large number of specific recommendations in the GAO Management Report that address this area as well. The action plans the Department has developed call for issuing new workforce planning policies, developing new planning and analytical tools, preparing agency-specific workforce management plans, monitoring their implementation, establishing appropriate standards for filling of vacancies, and developing strategies for addressing problem staffing areas. I would expect these measures to minimize disruptions under normal circumstances, or even under moderate constraints.

Mr. Natcher: GAO's report and other recent studies have commented on Labor's need for a more systematic effort to measure and improve productivity. In commenting on GAO's report, the Department said that actions were being taken to achieve GAO's objectives within the Department's existing management process.

Are these efforts being tied to the Secretary's Management System?

Mr. Komarek: Yes, they are. One of the Secretary's three broad goals reads as follows:

> "Improve productivity, effectiveness, and creativity of DOL operations through employee motivation and involvement; intra-departmental coordination; private sector involvement."

A sub-goal that I have established in support of this Secretarial goal calls for development and implementation this fiscal year of a Departmental productivity improvement program. At this time we are moving to assure that our program will be fully coordinated with the requirements of the Executive Order that the President recently issued.

Mr. Natcher: GAO recommended actions to ensure that fund control procedures are being implemented and responsible managers held accountable for complying with the procedures. In the Department's comments it said that corrective actions were nearly completed.

Is the Department satisfied that the actions taken provide adequate control over the Department's funds?

Mr. Komarek: Before responding directly, let me point out that the GAO found no legal violations of the Anti-Deficiency Act. To put it positively, GAO's investigation determined that fund control in the Department was fully effective at the appropriation and allotment levels.

GAO also found that there were a number of instances where departmental components had not followed internal Departmental fund control requirements below the statutory and regulatory levels. Accordingly, the actions we have planned, most of which are completed, are focused at these lower levels of managerial accountability. We have also endeavored to assure that these accountability measures are integrated with those statutory and regulatory mandates, so that we have a fully consistent set of meaningful controls.

In addition to a comprehensive set of milestones keyed to each of GAO's sub-recommendations on financial management, I have established a sub-goal in the Secretary's Management System that addresses this area. Some of the key actions we have already taken include: alerting the Department's Executive Staff to financial accountability requirements; reviewing those

requirements at meetings of all departmental financial managers in the National Office and the regions; revising our control procedures and forms to more clearly focus accountability; including the obligational process in internal technical assistance reviews of all agency and regional financial operations; instituting quarterly status reports that compare apportionments, allotments, and limitations with actual obligations and providing exception reports to key managers; and instituting additional documentation and audit trail requirements to assure timely and accurate processing of obligational documents. Consequently, while I know there will be occasional human errors, I am confident that the actions taken provide adequate control over the Department's funds.

Mr. Natcher: GAO recommended that the Secretary hold agency heads and the Department's Comptroller accountable for carrying out department policies governing the approval of financial improvement projects to ensure departmental control over them. The Secretary concurred with this recommendation and the Comptroller submitted a directive for Secretarial approval to implement the changes.

Has the directive been approved?

Mr. Komarek: Yes, a Secretary's Order was issued, dated October 21, 1985. In addition, in December I issued an implementing directive that provides for specific procedures and time frames.

Mr. Natcher: Has a process for review of proposed agency system improvement projects been established?

Mr. Komarek: Yes, it has. The key elements of the procedure are as follows:

- 60 days prior to the start of any improvement project, an outline of the proposed work is submitted to the Comptroller. This outline contains descriptive information on inputs, outputs, the ADP environment, the time frames, cost and benefits.

- Within 30 days of receipt of such a proposal, the Comptroller provides feedback to the initiating office indicating approval, concerns, etc.

- During the review process the Comptroller assures that the proposed project contributes to improved financial management; is consistent with the requirements of the Secretary's Order, OMB requirements and GAO standards; other DOL components having similar needs are informed of the proposed project and given an opportunity to utilize the results.

- Upon approval by the Comptroller, the initiating office must incorporate this project into its overall Financial Management Systems Plan, in accordance with requirements in the Secretary's Order.

GAO MANAGEMENT REPORT

Mr. Conte: Mr. Komarek, I just have a few questions on that mammoth study by the General Accounting Office on management at the Department. In general, what do you view as the best of those recommendations, and what steps have you taken to implement them?

Mr. Komarek: There are a total of 49 major recommendations in the Report. Many of them have sub-parts which raise the total to over 60 specific recommendations on which action should be taken. Some of these are directed narrowly at certain program operations, for example, mine inspections. Others deal with technical requirements.

From the overall perspective of the Department, probably the most significant recommendations are those that address the need for more Secretarial control and direction. The Department's responses to those recommendations, namely, designating the Under Secretary as the responsible official for performing day-to-day management tasks on behalf of the Secretary, and the creation of the Secretary's Management System will undoubtedly have the most far-reaching-impact on departmental management.

In terms of my own agency, which deals with the administrative management functions of the Department, there are over 30 GAO recommendations and sub-recommendations which address procurement, information resources management, productivity, workforce planning, financial management and accounting, and property management. The key elements of all of these have also been incorporated into a sub-goal I have established under the Secretary's broad goal dealing with productivity, effectiveness and creativity of DOL operations through employee motivation and involvement.

All of these administrative areas are important, and provide essential support to the Department's program operations. Perhaps the most significant of these is workforce management. Earlier, in response to Mr. Natcher, I provided some details on the work we are conducting to improve our performance in this vital area. In summary, we have underway extensive efforts that address workforce planning, staffing, training and employee development, and performance appraisal. I fully expect that within the next year these efforts will bear fruit and GAO will then find that we have responded to its recommendations in a comprehensive, positive and pro-active way.

Mr. Conte: As I understand it one of the steps taken by the Secretary was to place the Under Secretary in charge of defining the Department's management goals and to assess their implementation through the "Secretary's Management System". What is your role in that system, Mr. Komarek, and how will the system work generally?

Mr. Komarek: The Secretary's Management System is designed to complement current systems now in use within the Department. It is intended to be integrated with agency management systems,

including those required for the development and execution of operating budgets and the development of organizational and personnel performance standards and measures. It has three basic facets:

- o First, it is a planning process. Annually the Secretary, not the Under Secretary, will establish broad, long-term Secretarial goals and see that these are communicated to all management levels within the Department. For this year, the Secretary has set three such goals, which he described earlier.

- o Each Executive Staff member is responsible for developing agency supporting goals and related milestones in furtherance of these Secretarial goals, carrying out programs, and operations. The Under Secretary reviews and approves these sub-goals and milestones before they are finalized.

- o The Secretary's Management System also has a reporting mechanism. Each member of the Executive Staff will prepare quarterly progress reports covering the milestones in the agency sub-goals. These reports will flow into the Under Secretary's office where they will be analyzed. Highlights and matters requiring the Secretary's personal attention will then be presented to him.

- o Finally, the Secretary and the Under Secretary will provide feedback each quarter to the Executive Staff covering their assessment of progress and, as appropriate, the identification of actions which should be undertaken.

As you can see, within the parameters set by the Secretary--his broad goals and his action requirements--the Under Secretary is the key, responsible official. He performs day-to-day management tasks on behalf of the Secretary, and has been given specific responsibilities for overseeing essential management systems, ensuring a quality workforce and accountability, and monitoring and using performance data.

My role in the Secretary's Management System is twofold. First, as a member of the Department's Executive Staff, I have the same planning, reporting, and operational responsibilities that all such key staff do. In actual fact, my work may be a bit heavier than some of the others since about half of the GAO recommendations fall into the administrative management area, and since such activities cut across all program operations of the Department and therefore require more extensive coordination and other linkages.

Secondly, in many situations the Under Secretary will customarily obtain my advice, and that of my key staff, before rendering final decisions in areas involving administrative management. Because of the broad impact that such administrative management functions have, because we have established communication channels to the central management agencies--OMB, OPM, GSA, etc.--, and because we have a deep reservoir of expertise in these functions, our advice and assistance will be very useful in all stages of the Secretary's Management System.

SIGNIFICANCE OF THE PRESIDENT'S COMMITTEE

Mr. Conte: Tell us why the Committee is a good thing, and why the Department thinks we should not only keep funding it, but provide a significant increase as is requested in the budget?

Mr. Russell: The President's Committee on Employment of the Handicapped is a good thing because it is the only agency in the Federal government that focuses solely on the employment needs of the Nation's individuals with disabilities. The Committee represents the national commitment and commands the attention needed to address those needs.

In spite of all previous efforts, including those of the President's Committee and of the Congress, which passed affirmative action, non-discrimination legislation, the 1980 Census and the 1981 and 1982 Current Population Surveys revealed that the number of persons with disabilities who do not participate in the labor force is alarmingly high. One of the major reasons for this fact is that during the decade of the 70's, the rate of severe disabilities increased by 71.4%.

Some progress has been made. Those same surveys indicated that people with disabilites who are employed, earn basically the same salaries as do non-disabled people in the same or similar jobs. This progress is not enough, however, as the majority of persons with disabilities do not have work or the economic independence that can result from employment. Without a doubt, a major national effort to improve the employment status of the country's citizens with disabililties must continue.

The President's Committee has established a unique position which qualifies it to provide the energy and the leadership to spearhead the Nation's drive to increase employment opportunities for people with disabilities. The majority of jobs (4 out of 5) in this country are in the private sector. The power of the President's Committees's leadership is derived from the Committee's nationwide network of 600 private sector volunteers. Because of the prestige associated with the name of the President, and, just as importantly, because the Committee does not have monitoring or regulatory authority, it has been able to attract as volunter members, nationally recognized experts from all disciplines involved with disability. The Committee's membership is composed of individuals with disabilities and organizations operated by and for persons with disabilities (16%); employers (15%); educators, physicians, and other service providers (20%); labor and union personnel (8%); Governors' Committees personnel (10%); and other individuals and organizations involved in disability issues (31%).

The President's Committee and its volunteer members believe that a real increase in employment opportunities for people with disabilities will become a reality only when employers, and those who prepare people for employment, recognize and accept the abilities and employment potential of individuals with disabilities. Certainly, legislation guaranteeing equal employment opportunities is essential, but the key ingredient to a significant increase in acceptance of people with disabilities is an informed and enlightened public.

President's Committee members carry the message of the employment potential of people with disabilities to all parts of the country and to all segments of society. During the last year alone, Committee members contributed over six and one-half million dollars in in-kind services to increase awareness of the abilities of people with disabilities and to promote equal employment opportunity. They have achieved some amazing results.

However, there is much more work to be done. The President's Committee and it's members are ready and are anxious to do it. To ensure that the employment status of persons with disabilities continues to be addressed by an established and effective government agency and its private sector volunteer members, the Congress should continue to fund the President's Committee on Employment of the Handicapped.

The Committee's budget for FY 1987 reflects increases and a decrease in basic operational costs. The breakdown of those are as follows:

Personnel costs including net cost of with-in grade promotions effective in 1986, and increased cost of personnel benefits.....	+$24,000
Nonpersonnel costs including increased cost of travel, transportation, space rental, communications, and other utilities, printing, miscellaneous contracts, administrative support services, supplies and equipment.....	+$28,000
Additional funds for rental of office space.....	+$60,000
Adjustment in the average cost per FTE to bring up to appropriate level.....	+$178,000
Restoration of 3 FTE which was sequestered in FY 1986 under P.L. 99-177 (Gramm-Rudman).....	+$92,000
	$382,000
Reduction in administrative support services, i.e., Working Capital Fund (WCF).....	-18,000
TOTAL.....	+$364,000

OPPOSITION TO DISMANTLING THE COMMITTEE

Mr. Conte: What specific arguments would you use against folding the Committee into the smaller National Council on the Handicapped?

Mr. Rusell: Some of the specific arguments have been addressed in the response to the preceding question of why the President's Committee is a good thing. However, I will reemphasize them as well as include additional ones.

Increased employment of people with disabilities is a major national concern. The 1980 Census and the 1981 and 1982 Current Population Surveys indicated that the number of persons with disabilities who are not in the work force is still alarmingly high. This is in spite of the concentrated efforts of the President's Committee and the Congress which passed affirmative action - non-discrimination legislation 13 years ago. Greater attention, focus and efforts continue to be needed to help resolve this situation. The President's Committee, an independent, single focus, highly visible agency, represents the national commitment to increased employment for people with disabilites. Because the President's Committee does represent a national commitment to increased employment of persons with disabilities, a transfer of its functions to the National Council on the Handicapped and the resultant cessation of the President's Committee is of concern to Governors' Committees. Fifty-seven percent of the States have Governors' Committees on Employment of the Handicapped. Already, several have expressed the fear that termination of the President's Committee would send a clear signal to the States that employment of persons with disabilities is no longer a priority at the Federal level. This could lead to a diminution of support of Governors' Committees which would adversely affect, not only their programs and activities, but also the many local committees on employment of the handicapped with which they work.

The purpose of the National Council on the Handicapped is to review all Federal level programs, laws and policies affecting individuals with disabilities, and to recommend improvements to the President and the Congress.

The purpose of the President's Committee on Employment of the Handicapped is to involve private sector volunteers in a program designed to facilitate the development of maximum employment opportunities for persons with disabilities. The focus of the President's Committee would obviously be diluted if merged with the National Council as the subject of employment would have to compete for time, attention and staff and financial resources with all other disability issues.

In addition, such a merger would certainly confuse and dilute the role of the National Council. As currently constructed, the National Council is essentially a policy review and advising agency. And, it is doing an excellent job. If it were given the programmatic responsibilities of the President's Committee "to promote employment opportunities for individuals with disabilities," the National Council would be placed in the position of having to evaluate its "own" programs as well as those conducted by other Federal agencies.

Four out of five jobs in the United States exist in the private sector. The President's Committee has already establilshed a credible working relationship with the private sector. The Committee's 600 members are all from the private sector. Many of our members, especially employers and labor union personnel, are interested primarily in employment issues. They have indicated that while they are anxious to be involved with an organization that focuses on employment issues, they have major reservations about involvement with another Government agency that has responsibility for concerns beyond their own.

Mr. Conte: As I remember it, the Senate was looking at the possibility of rewriting the authorization for the National Council on the Handicapped so that it would encompass the work you are presently doing. What actions are you taking to see that this proposal doesn't take shape?

Mr. Russell: I have done a great deal of thinking about the proposal to transfer the functions now performed by the President's Committee to the National Council on the Handicapped. I consider the National Council to be an excellent organization with a very important mission. However, I believe sincerely and deeply that the President's Committee should continue to represent the Nation's visible commitment to increasing employment opportunities for individuals with disabilities, and to perform its functions as mandated by its Executive Order. In an attempt to ensure that the President's Committee continues as an independent, Presidential organization, I have initiated a sequence of events to strengthen the Committee and to ensure that it achieves its immense potential. They are:

In November 1985, I appointed Mr. Jay Rochlin as Acting Executive Director of the President's Committee. Mr. Rochlin, the former Chairman of our Employer Committee, is on a two year Executive loan from AT&T to the President's Committee. He has a fine rapport with the private sector and the rehabilitation community.

In December 1985, I convened a special President's Committee Retreat. We called together representatives of our constituency, many from beyond our membership rank, for the purpose of re-evaluating the mission statement and goals for the Committee. I am pleased to enclose a copy of the Retreat Report for your information. You may be interested to know that there was unanimous and clear concensus among the Retreat participants that there remains a need for a separate and viable President's Committee on Employment of the Handicapped.

Next, I felt that it was important that our membership be informed about the proposal to provide the National Council with the functions currently performed by the President's Committee and, my position. As I want input from all of our members, I invited them to express their opinions to me and to the Congress. Also, I have begun a reorganization of the entire President's Committee staff. Those functions necessary for the Committee to effectively accomplish its goals have been determined and position descriptions are now being developed.

In addition, the composition of the President's Committee itself, of over 500 members, will also be restructured. To that end, the President's Steering Committee met on February 10, the Executive Committee met the following day, to discuss the Comittee's reorganization and their recommendations are being considered.

Lastly, I testified before both the House and Senate Appropriations Subcommittees. I made it clear that while I respect opposing views, I remain committed to the continuation of the President's Committee. I will continue to vigorously pursue this objective.

The President's Committee has a distinguished history of responding to the times with creative and energetic programs and activities designed to improve employment opportunities for people with disabilities. From joining with the Easter Seal Society in 1959 to petition the development of the first American National Standard on accessibility, to the commissioning and adoption of the International Symbol of Access, to the establishment and implementation of the "Pathways to Employment" model transition to work program, to the creation and operation of the Job Accommodation Network, the President's Committee has demonstrated over and over again its unique ability to respond in positive ways to the employment needs of persons with disabilities. It continues to respond to current concerns in this dynamic way. The Committee is presently undergoing a total reorganization to enable it to be even more productive and effective in the future.

The nation's citizens with disabilities want, and deserve, the same dignity, equality, and independence as all other Americans. Assisting people with disabilities to achieve these goals requires creative, multi-faceted approaches that involve all segments of our society. The National Council on the Handicapped represents one necessary and important approach. The totally different President's Committee on Employment of the Handicapped, represents another, equally important, equally necessary approach. These two agencies can function best separately, each in its own sphere, yet complimenting one another and working toward the mutual goal of an increased quality of life for people with disabilities.

Mr. Conte: In your statement you say that you are restructuring your "total operation," is that a response to the criticisms that were made last year, and how will this restructuring take place?

Mr. Russell: Our efforts to revitalize the President's Committee on Employment of the Handicapped actually began before we became aware of any Congressional efforts either to reduce our budget dramatically or transfer our functions to another federal agency. Certainly, the questions raised by these proposed Congressional actions heightened our awareness of the need for change. In addition, they were responsible for accelerating our efforts to improve our operation. For this, we are grateful to the Congress.

There were, however, a number of additional reasons for our self-examination. They include the greater expectations for employment among the severely handicapped population created by dramatic advances in both technology and medicine, and the rapidly changing nature of work precipitated by a shift from manufacturing industries to service and information processing occupations.

One of the most compelling reasons for our introspection was the response we were getting from a number of our cooperating state level governors' committees. They were telling us that we should reexamine some of our programs as well as our relationship with them. These committees wanted to become full partners, and deserved a chance to influence our programs more directly. Thus, on September 12, 1985, I established a monitoring oversight committee, consisting of state committee representatives and our members, to explore these issues. This committee has met and continues to advise us not only on our relationship with the states but also on our total reorganization efforts.

To date, our reorganization activities have resulted in the following actions:

First, we have a new Acting Executive Director, Jay Rochlin. Mr. Rochlin is on "Executive Loan" to the President's Committee from AT&T. He has had many years of experience in the disability field. Formerly he served the President's Committee as the volunteer Chairman of our Employer Committee, and he provided the leadership during the development and implementation stages of our Job Accommodation Network.

Second, we conducted a Retreat for the purpose of reevaluating and redefining the Mission and Goals of the Committee. We invited over 25 individuals, representatives of our major constituency groups such as disabled individuals, including disabled veterans, employers, unions, and Governors' Committees, to the Xerox Training Center in Leesburg, Virginia. There, during two days of discussions, this group reaffirmed the President's Committee's emphasis and focus on the employment needs of individuals with disabilities and agreed upon a Mission Statement and Goals.

Third, in order to accomplish our goals more efficiently, I have undertaken a complete reorganization of our staff. Currently, position descriptions are being rewritten and classified by the Department of Labor. I am hopeful that the reorganization of staff will be completed late April.

Next, I am looking at options for a reorganization of the President's Committee itself. As you know, the Committee consists of over 500 organizations and individuals, who all are interested in disability issues and serve as volunteers. In fact, it is this established nationwide network of volunteers that makes the President's Committee so unique and enables us to be effective. And although our member volunteers have been and continue to be extremely productive in developing and implementing programs, and in fact contributed a conservatively estimated six and a half million dollars in in-kind services during the past year, I am considering alternate Committee structures which would utilize this tremendous resource of volunteer power to an even greater extent. To this end, both the Steering Committee and the Executive Committee have met, discussed, and recommended a number of alternatives which now are being studied.

I'm very excited about the changes we're currently undergoing. I'm grateful to the Congress, our associate State committees and our own members for their eagerness to see the President's Committee on Employment of the Handicapped reach its full potential and their willingness to work with us toward this goal. I believe the efforts we are now undertaking together will make it happen.

WOMEN'S BUREAU

I would like to highlight, for a moment, the Women's Bureau at the Department, which, I think has done an excellent job, over the past several years, with the resources available to it, in making positive contributions to some of the most pressing issues facing working women -- in areas of child care, displaced homemakers, job opportunity at all levels, and many others. My office and I have enjoyed working with the Director, Dr. Alexander, who has been one of the prime movers in these issues relating to working women.

Mr. Conte: The budget this year restores the $1 million that I supported in the FY 1985 Budget, and that we had to add back into the FY 1986 bill, is that correct?

Mrs. Emery: Yes. The FY 1987 budget does include $1 million for model and demonstration projects.

Mr. Conte: And things are progressing with respect to corporate linkage program, which we mentioned in the House report, is that correct? (What percentage of upper corporate management in this country do women make up?)

Mrs. Emery: Yes, we are in the negotiation stage on funding for the coporate linkage program. We have initiated the funding approval process within the Department for grants to academic institutions. Upon completion of this process, we will execute a grant with the University of Massachusetts to work with us and selected corporations in implementing the program. (Women make up only five to seven percent of all mid-to upper level managers and about two percent of senior level managers in this country.)

Mr. Conte: Tell us something about the problem of displaced homemakers in obtaining employment, and about the Bureau's effort in this area?

Mrs. Emery: Displaced homemakers have special problems in obtaining employment because of their lack of marketable skills, their lack of confidence in their ability to succeed in the job market and their long-term detachment from the workforce. These women have suddenly had to become economically independent or become the chief provider for themselves and their families without public assistance or other forms of income. The Women's Bureau has worked with service providers, employment and training organizations and advocates for this target group since they were identified as a special population a decade ago. We have supported grants to the national Displaced Homemakers Network for several years, to strengthen its capability to provide technical assistance to local and regional programs and to produce significant materials and conduct workshops for program operators. We are negotiating with the Network on the grant provisions for their FY 1986 funds.

The dramatic increase in new local displaced homemaker programs (from 450 in 1984 to more than 600 in the past year) has renewed the Bureau's concern. The FY 1986 grant will provide monies for directing efforts towards these new programs. In addition, the Women's Bureau is calling together a panel of experts on March 20, 1986, to discuss major barriers to displaced homemakers employment and employability, successful strategies to overcome such barriers, and address recommended solutions to their reentry into the workforce. An issue paper will be developed based on the results of this meeting with experts and shared with an intradepartmental taskforce to develop a plan of action to improve departmental services to this group.

Mr. Conte: The Women's Bureau attended the International Women's Conference in Nairobi last year -- what can you report to us about that conference?

Mrs. Emery: The Women's Bureau Director was one of 30 members of U.S. delegation to the United Nations Conference to Review and Appraise the Achievements of the U.N. Decade for Women, held in Nairobi, Kenya, July 15-26, 1985. In anticipation a coordinated publication and briefing program was developed in the Bureau to inform the official delegation, the non-governmental organization delegations and observers, and the general public about the status of women in the U.S. labor force during the United Nations Decade for Women. Publications included a 155-page report, The United Nations Decade for Women, 1976-1985: Employment in the United States, 10 fact sheets on aspects of the status of women or issues of concern to women in the United States, and a special fact sheet for business women overseas, "Business Development Opportunities in the U.S. for Women in Other Countries. Briefing materials were prepared for the official delegation's 3-day briefing in advance of the conference and for use at the conference, and a briefing book was prepared for the Director.

The Bureau also assisted in completion of the U.S. response to the U.N. Questionnaire used in its preparation of a report on the status of the world's women. In several instances, the language of Bureau reports was used verbatim in the final instrument adopted by the member countries. The conference was regarded as the most successful for the United States because of the first time during the Decade -- and at the last of the three conferences -- this country was able to ratify the United Nations document. The purposes of the conferences were to commemorate the end of the U.N. Decade for Women by reviewing and appraising progress made over the decade, 1976-1985 and to adopt by concensus the Forward Looking Strategies for the Advancement of Women to the Year 2000, a compendium of nonbinding strategies for the advancement of women. The conference achieved both objectives successfully and the United States was able to join in the consensus acceptance of the report.

VETERANS EMPLOYMENT

Mr. Conte: Mr. Shasteen, your budget request includes an increase for the Disabled Veterans Outreach Program (DVOP), but a decrease for the Local Veterans Employment Representatives (LVER) Program. Isn't there a statutory or regulatory requirement for the number of specialists you must maintain in these programs, and if that's so, does this request fulfill those mandates?

Mr. Shasteen: The number of Disabled Veterans Outreach Program (DVOP) positions is determined by the statutory formula (Chapter 41, 38 U.S.C., Section 2003A) of one DVOP specialist for each 5,300 disabled and Vietnam-era veteran residing in each State.

The number of Local Veterans' Employment Representative (LVER) positions is determined by the regulatory formula of at least one full-time LVER to be assigned to each Employment Service local office which had 1,000 or more veteran applicant in the preceding 12-month period or at least a part-time LVER in proportion to the full-time criteria (20 CFR 652.123).

The FY 1987 budget request represents the necessary funding to staff the DVOP at the formula level of 1,894 base positions plus a 162 administrative staff positions for a total request of 2056. The budget request for LVERs will support 1,217 base LVER positions and 102 administrative positions for a total request of 1,319. This is 162 positions under the formula requirement of 1,379 base LVERs. Since the DVOP formula is statutory and the LVER formula is an administrative requirement, the decision was made to address the legislated requirements first, and meet the administrative requirement with the remaining funds.

The regulations allow for the Assistant Secretary for Veterans' Employment and Training (ASVET) to grant waivers from the full-time criteria based on a demonstrated lack of need. Also, if appropriation exigencies preclude the full application of the criteria, the ASVET may permit appropriate limited adjustments to the staffing requirements.

Mr. Conte: As you know, last year when we brought this bill to the floor we accepted an amendment increasing funding for these programs by more than $8 million over the budget request because your office was not going to be able to fill the mandatory number of positions. Will you still fall short of your required staffing levels in FY 1986 because of the Gramm-Rudman reductions?

Mr. Shasteen: As you are aware, on December 12, 1985, Congress adopted and the President approved approximately $8.5 million additional funds for the DVOP and LVER programs as part of the FY 1986 Department of Labor Appropriation. This amount was sufficient to fund both programs at the formula levels for the remaining nine months of the fiscal year.

The enactment of the Balanced Budget and Deficit Control Act of 1986 sequestered $5,159,000 of the $119,976,000 appropriated. It was determined that the remaining $114,817,000 would support the required 1,894 DVOP specialists and 1,379 LVER base positions for the last two quarters of the Fiscal Year. The staffing levels for the first two quarters of FY 1986 were maintained at the levels contained in the President's budget request, 1,746 DVOP specialists and 1,317 LVER base positions.

Mr. Conte: Are the cuts being taken evenly between these two programs?

Mr. Shasteen: The number of Disabled Veterans' Outreach Program (DVOP) position is determined by the statutory formula (Chapter 41, 38 U.S.C., Section 2003A). The formula calls for one specialist for each 5,300 disabled and Vietnam-era veteran residing in each state.

The number of Local Veterans' Employment Representative (LVER) positions is determined by the regulatory formula. The formula calls for at least one full-time LVER to be assigned to each Employment Service local office which had 1,000 or more veteran applicants in the preceding 12 months period or at least a part-time LVER in proportion to the full-time criteria (20 CFR 652.123).

Since the DVOP formula is statutory and the LVER formula is an administrative requirement, the decision was made to address the legislated requirements first, and meet the administrative requirement with the remaining funds.

Mr. Conte: Why do you show a preference for the outreach program over the local employment program?

Mr. Shasteen: We do not prefer the Disabled Veterans Outreach Program (DVOP) over the Local Veterans Employment Representative (LVER) program. We are bound by the statutory requirements associated to the DVOP while we have flexibility with the LVER program.

Mr. Conte: For the record, provide us a list of current Grantees under the JTPA Title IV-C grant program.

Mr. Shasteen: The following is a list of current JTPA Title IV-C grants:

STATE	GRANTEE
ALABAMA	BIRMINGHAM/JEFFERSON COUNTY
ARIZONA	ARIZ DEPT OF EMPLOYMT SECURITY
ARIZONA	COCHISE PIC
ARIZONA	DEPT OF ECONOMIC SECURITY
ARKANSAS	WHITE RIVER PLANNG & DEV DISTRICT
ARKANSAS	WHITE RIVER PLNING & DEVELOPMENT DIST
CALIFORNIA	ALAMEDA CTY TRNING & EMPLYMT BOARD
CALIFORNIA	CITY OF OAKLAND
CALIFORNIA	CITY OF OAKLAND
CALIFORNIA	CITY OF RICHMOND
CALIFORNIA	CITY OF RICHMOND
CALIFORNIA	CITY OF SUNNYVALE (NOVA)
CALIFORNIA	CONTRA COSTA COUNTY SDA
CALIFORNIA	COUNTY OF SANTA CRUZ
CALIFORNIA	MERCED COUNTY
CALIFORNIA	NAPA COUNTY EMPLYMT TRNING OFC
CALIFORNIA	NORTEC SDA
CALIFORNIA	ORANGE CO. JOB TRNG PRTNRSHIP AG
CALIFORNIA	SAN DIEGO REG'L EMPLYMT & TRAINING
CALIFORNIA	SAN FRANCISCO PIC
CALIFORNIA	SAN MATEO COUNTY
CALIFORNIA	SD REG EMPLYMT & TRNING CONSORTIUM
CALIFORNIA	SONOMA COUNTY
CALIFORNIA	TULARE COUNTY
COLORADO	DENVER EMPLYMT & TRNING ADMINISTRATION
COLORADO	JEFFCO EMPLYMT & TRAINING SERVICES
CONNECTICUT	CONN DEPT OF LABOR
CONNECTICUT	CONNECTICUT DOL
DELAWARE	DELAWARE DEPARTMENT OF LABOR
D.C.	DC DEPT OF EMPLOYMENT SEC
D.C.	DC DEPT OF EMPLOYMENT SERVICES
FLORIDA	BREVARD COUNTY BD OF COMMISSIONERS
FLORIDA	BROWARD CO. EMPLYMT & TRAINING AD.
FLORIDA	BROWARD EMPLYMT & TRNING ADMIN (BETA)
FLORIDA	CITY OF JACKSONVILLE
FLORIDA	HEARTLAND EMPLYMT & TRAINING CONSRT.
FLORIDA	JOB TRNG PROG OF NW FLA (PENSACOLA)
GEORGIA	GA MOUNTAINS APDC
GEORGIA	GA MOUNTAINS APDC
GEORGIA	GEORGIA DOL
GEORGIA	NE GA PLANNING & DEV COMMISSION
GEORGIA	NORTHEAST GEORGIA APDC
GEORGIA	SAVANAH/CHATHAM EMPLY TRNING PROGRAMS
HAWAII	CITY & COUNTY OF HONOLULU

IDAHO	SE IDAHO COUNCIL OF GOVTS, SDA V
ILLINOIS	ILL DEPT OF COMMERCE & COMM AFFAIRS
ILLINOIS	LAND OF LINCOLN CONSORTIUM
ILLINOIS	MADISON CO EMPLYMT & TRNG DEPT
ILLINOIS	NORTHERN COOK COUNTY PIC
ILLINOIS	ST CLAIR COUNTY
INDIANA	COMMUNITY & FAMILY SERVICES, INC
INDIANA	EMPLYMT & DEVELOPMTL SYSTEMS, INC
IOWA	IOWA OFFICE FOR PLANNING & PROGRAMMING
IOWA	N IOWA AREA COMMUNITY COLLEGE
KANSAS	CITY OF WICHITA
KANSAS	KANSAS DEPT OF HUMAN RESOURCES
KENTUCKY	N KENTUCKY AREA DEVELOPMENT DIST
LOUISIANA	CITY OF SHREVEPORT
LOUISIANA	OUACHITA PARISH EMPLYMT & TRNING OFC
MAINE	CUMBERLAND COUNTY
MAINE	CUMBERLAND COUNTY TRNING RESOURCE CENT
MARYLAND	MARYLAND DEPT OF EMPLOYMT & TRNING
MASSACHUSETTS	COMMONWEALTH OF MASSACHUSETTS
MASSACHUSETTS	MASS EXEC OFF OF ECON AFFAIRS
MICHIGAN	DETROIT EMPLYMT & TRNG CONSORTIUM
MICHIGAN	DOWNRIVER COMMUNITY CONFERENCE
MICHIGAN	GRAND RAPIDS AREA EMPLYMT & TRNG CONSORT
MICHIGAN	MID COUNTIES EMPL & TRNG CONSRT
MICHIGAN	REGION II EMPLYMT & TRNING CONSORTIUM
MICHIGAN	THUMB AREA EMPLYMT & TRNING CONSORTIUM
MINNESOTA	EAST METRO SDA
MINNESOTA	NE MINN OFFICE OF JOB TRAINING
MINNESOTA	RURAL MINNESOTA CEP
MINNESOTA	ST PAUL JOB CREATION & TRAINING
MISSISSIPPI	GULF COAST BUSINESS SERVICES CORP
MISSISSIPPI	GULF COAST BUSINESS SERVICES CORP
MISSOURI	KANSAS CITY JOB TRNG CONSORT.
MISSOURI	ST LOUIS AGENCY ON TRNING & EMPLOYMT
MONTANA	BOS & CEP SDAS
MONTANA	BOS & CEP SERVICE DELIV. AREA
NEBRASKA	CITY OF OMAHA
NEBRASKA	NEBRASKA DIV OF JOB TRAINING
NEVADA	STATE JOB TRAINING OFFICE
NEW HAMSHIRE	NH DEPT OF EMPLOYMENT SECURITY
NEW JERSEY	BERGEN COUNTY
NEW JERSEY	ESSEK COUNTY DIV OF EMPLYMT & TRNING
NEW JERSEY	MOMMOUTH COUNTY
NEW MEXICO	NEW MEXICO EMPLOYMENT SECURITY DEPT
NEW YORK	BUFFALO & ERIE COUNTY PIC
NEW YORK	CITY OF SYRACUSE
NEW YORK	COUNTY OF SUFFOLK SDA
NEW YORK	DUTCHESS/PUTNAM PIC
NEW YORK	ERIE COUNTY PARTNERSHIP INC
NEW YORK	ERIE COUNTY PARTNERSHIP,INC.
NEW YORK	NEW YORK CITY
NEW YORK	TOWN OF HEMSTEAD CONSORTIUM

NORTH CAROLINA	NRCD, DIV OF EMPLYMT & TRNING
NORTH DAKOTA	JOB SERVICE NORTH DAKOTA
OHIO	CANTON OHIO SDA 23
OHIO	JOB TRNING PARTNERSHIP, SDA#23
OHIO	OHIO BUREAU OF EMPLOYMENT SERVICES
OHIO	OHIO BUREAU OF EMPLYMT SERVICES
OHIO	PIC OF TRUMBULL CO., INC
OHIO	TRUMBULL COUNTY
OKLAHOMA	DEPT OF ECON & COMMUNITY AFFAIRS (DECA)
OREGON	MID WILLAMETTE PRIVATE INDUSTRY COUNCIL
OREGON	MID WILLIAMETTE JOBS COUNCIL
OREGON	THE JOB COUNCIL, MEDFORD OREGON
PENNSYLVANIA	COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA	PENNA DEPT OF LABOR & INDUSTRY
PUERTO RICO	COMMONWEALTH OF PUERTO RICO
RHODE ISLAND	RHODE ISLAND DEPT OF ECONOMIC DEV
SOUTH CAROLINA	SC DIVISION OF EMPLYMT & TRNING
SOUTH DAKOTA	NC CHAP PARALYZED VETS OF AMERICA
TENNESSEE	CLEVELAND STATE COMMUNITY COL.
TENNESSEE	METRO GOVT OF NASHVILLE-DAVIDSON CO
TEXAS	TEXAS DEPT OF COMMUNITY AFFAIRS
TEXAS	TEXAS DEPT OF COMMUNITY AFFAIRS
UTAH	SOUTHWEST PIC
UTAH	WEBER MORGAN SDA
VERMONT	VT DEPT OF EMPLOYMENT & TRAINING
VIRGINIA	5TH DIST EMPLYMT & TRNING CONSORT
VIRGINIA	CAPTIAL AREA TRAINING CONSORT.
VIRGINIA	CENTRAL PIEDMONT EMPLYMT CONSORT (CPEC)
VIRGINIA	FAIRFAX COUNTY
WASHINGTON	CLARK COUNTY BOARD OF COMMISSIONERS
WASHINGTON	PIC SNOHOMISH COUNTY
WASHINGTON	SEATTLE/KING COUNTY PIC
WASHINGTON	WASHINGTON EMPLOYMENT SECURITY
WEST VIRGINIA	KANAWHA COUNTY PIC (SDA)
WEST VIRGINIA	PIC OF WEST VIRGINIA, INC
WICSONSIN	WINNE-FOND LAKE CONSORTIUM
WICSONSIN	WINNE-FOND LAKE CONSORT. SDA
WISCONSIN	WISCONSIN DEPT OF IND, LABOR & HUMAN REL
WISCONSIN	W-O-W JOB TRAINING PARTNERSHIP
WYOMING	WYOMING DIV OF MANPOWER PLANNING

Mr. Conte: How many more grants will you be able to make under the FY 1987 budget request?

Mr. Shasteen: The exact number cannot be forecast, because of the variables involved in our competitive selection and award process. We estimate that we could award 10-25 more grants in FY 1987 than in FY 1986.

BLACK LUNG

Mr. Conte: Mr. Komarek, another amendment we took on the floor last year was one to add $4.5 million to the Departmental Management account to deal with the backlog of black lung case reviews. After the Gramm-Rudman cuts, how much of an increase will be left in FY 1986 to target black lung reviews?

Mr. Komarek: The Gramm-Rudman cuts required a reduction of 19 staff years and $847,000 related to the Black Lung programs in the Departmental Management account.

Mr. Conte: Are you requesting an increase over this level for FY 1987, and if so, how much?

Mr. Komarek: First, we have requested an increase of 19 staff years from 1986 to 1987, the same number as were cut in 1986 under Gramm-Rudman-Hollings legislation.

Second, for FY 1987, the Office of the Solicitor (SOL) has requested and increase of $396,000 and 10 positions in support of the Black Lung program. This request will allow SOL to handle the additional output generated by the Benefits Review Board and the ensuing higher caseload at the Court of Appeals.

Third, the Benefits Review Board has requested an additional 12 positions and $402,000 for FY 1987. These positions are for clerical and technical legal support staff necessary to keep up with the processing of the additional new appeals generated by increased OALJ dispositions. The Department is not proposing any staffing increases that would require a change to existing legislation.

BLACK LUNG CASE BACKLOGS

Mr. Conte: How many cases presently pending before both the Office of Administrative Law Judges and the Benefits Review Board?

Mr. Komarek: As of February 28, 1986 there were 21,502 Black Lung cases pending before the Office of Administrative Law Judges. As of January 31, 1986, there were 5,565 Black Lung cases pending before the Benefits Review Board.

Mr. Conte: How do these numbers translate into what we could call actual backlog?

Mr. Komarek: Since it takes approximately one year to process a Black Lung case, for the Office of Administrative Law Judges the actual backlog is 13,002 cases. At the Benefits Review Board, it takes approximately six months to process a case, thus, the actual Black Lung backlog is 3,885 cases.

Mr. Conte: Please provide us with a chart mapping your proposal to reduce the backlog over the next 4 to 5 years, can you do that?

Mr. Komarek: The following chart shows the end of year inventory and estimated processing time for the Office of Administrative Law Judges and the Benefits Review Board through FY 1989. Office of Administrative Law Judges estimates are based on an annual case intake of 5,000 cases. However, filings for the first five months of FY 1986, when analyzed, display an intake level higher than the 5,000 cases projected by OWCP.

OFFICE OF ADMINISTRATIVE LAW JUDGES

	Beginning Inventory	New Cases Received	Dispositions	Cases Pending End-of-Year	Processing Time (Years)
FY 1986	21,795	5,000	8,050	18,745	2.21
FY 1987	18,745	5,000	8,500	15,245	1.79
FY 1988	15,245	5,000	8,500	11,745	1.38
FY 1989	11,745	5,000	8,500	8,245	1.53 1/

1/ Assumes elimination of temporary increase of 60 staff.

BENEFITS REVIEW BOARD

	Beginning Inventory	New Appeals Received	Dispositions	Appeals Pending End-of-Year	Processing Time (Years)
FY 1986	5,736	2,975	2,880	5,831	1.74
FY 1987	5,831	3,150	3,360	5,621	1.67
FY 1988	5,621	3,150	3,360	5,411	1.61
FY 1989	5,411	3,150	3,360	5,201	1.55

Mr. Conte: One big issue last year relating to this backlog was the Office of Personnel Management's regulation that prohibited ALJ's at a GS-16 level from hearing these reviews. Can you fill us in on where that situtation now stands? Is there still a problem with OPM?

Mr. Komarek: The Department has been attempting to convince the Office of Personnel Management to have a single GS-16 grade for our Administrative Law Judges. OPM has not yet agreed to this, although we believe positive action will be taken soon. We have, in the meantime, filled our new openings with GS-15 judges.

Mr. Conte: You know I felt a lot of frustration with this program over the years, the entire thing, not just the review backlog. Has the Department made any recommendations recently to Congress, besides asking for more money, that would deal with the confusion in this program, it seems to me that under the present conditions a coal mine operator would be crazy not to appeal each and every benefit case, and that under those conditions, this backlog may never disappear?

Mr. Komarek: The rights of both employers and claimants to contest and appeal administrative determinations under the Black Lung Benefits Act are governed by the procedural provisions of the Longshore and Harbor Workers' Compensation Act, which have been incorporated into the Black Lung Act. Those procedures provide very extensive due process rights to all parties. So long as the Longshore Act retains its current form, our Department will have an obligation to provide appropriate forums for such hearings and appeals through the Office of Administrative Law Judges (OALJ) and the Benefits Review Board. However, we have almost no control over the volume of such litigation.

The 1981 Amendments to the Black Lung Benefits Act did eliminate what had previously been an inducement for protracted litigation by requiring coal mine operators to reimburse the Trust Fund for interim benefits, paid to claimants during the period of the employer's contest, at realistic interest rates rather than the previous six percent interest rate which had provided an incentive to protract litigation and defer reimbursements as long as possible.

Although the rate of initial employer controversion of administrative findings of entitlement remains very high, we are seeing an increasing pattern of employer voluntary agreements to pay after employers, insurers and their attorneys have fully reviewed the evidence in individual cases in light of the developing caselaw. In FY 1985, 31 percent of the cases which were referred to the OALJ for hearings, based on the employer's challenge to an administrative finding of eligibility for benefits, were resolved by voluntary agreements to pay benefits before a hearing was actually conducted. The comparable figure for the first five months of FY 1986 is 35.6 percent.

It should also be borne in mind that the majority of hearing and appeal requests are not made by employers, but by miners and survivors whose claims have been denied. Many of those requests are made without the assistance of counsel.

GRAMM-RUDMAN CUTS

Mr. Conte: Are you still anticipating no reductions-in-force as a result of Gramm-Rudman? What about furloughs?

Mr. Komarek: At this time, we are not anticipating any reduction-in-force as a result of Gramm-Rudman. However, there may be a need to furlough employees, if the recently imposed hiring freeze does not yeild the necessary savings.

INDIRECT COST MANAGEMENT IMPROVEMENT INITIATIVES

Mr. Early: The most recent Inspector General's report states that the indirect cost management improvement initiatives were in various phases of being implemented. When did you begin to implement the first phase of improvements?

Mr. Komarek: During the OIG's audit of departmental management of indirect cost, OASAM simultaneously conducted a review of its' procedures and began to make improvements in September 1984. These improvements addressed some of the OIG's concerns expressed in their audit report dated September 30, 1985. All recommendations made by the OIG have been satisfactorily responded to by the Procurement Executive. This has resulted in a better managed indirect cost program.

Mr. Early: Has there been sufficient time to realize any cost savings due to these new initiatives?

Mr. Komarek: The recommendations made by the OIG were to improve the effectiveness and efficiency in the management of indirect costs. We have not realized any additional cost savings from these new initiatives.

Mr. Early: When will the improvement initiatives by fully implemented?

Mr. Komarek: A revised chapter on the Department's indirect cost policies and procedures is presently being cleared by the appropriate program offices including the OIG. This last initiative is expected to be completed by the end of April 1986.

WORKING CAPITAL FUND

Mr. Early: Would you briefly explain what problems have arisen from operting the Department's WCF on an obligational basis and not on a cost reimbursement basis as required by law?

Mr. Komarek: The Department of Labor's Working Capital Fund is apportioned by OMB on an obligational basis. The income which is collected is based on rates which will return the full expenses of operation including reserves for accrued annual leave and depreciation of equipment. Since the Department's Working Capital Fund contains less than one percent of its budgets for equipment purchases any operational problems which may result are easily corrected.

BUREAU INTERNATIONAL LABOR AFFAIRS

Mr. Early: What impact will the sequestration have on the reporting and analyzing capabilities of the International Labor Affairs Bureau?

Mr. Taylor: This reduction if maintained in 1987 will reduce ILAB's capacity to do analysis and reporting which is mandated by statue, or by Executive Orders particularly as related to participation in the formulation of U.S. international trade policy and assessment of trade policy impacts upon U.S. employment. For example, our capacity would be reduced to provide the annual report to the Congress regarding the impact of the Caribbean Basin Initiative on employment in the U.S., as mandated by the Caribbean Basin Economic Recovery Act of 1983.

Mr. Early: The justification states that the International Labor Affairs Bureau will be involved in improving the reporting of the Labor Attaches stationed in the U.S. embassies abroad. Would you explain what the Bureau's current responsibilities are in these posts, and tell us what improvements will be made in FY 1987?

Mr. Taylor: The DOL is a principal end user of the Foreign Service labor reporting. In an effort to make this reporting more responsive to the needs of the DOL, the Bureau of International Labor Affairs (ILAB) participates in the preparation of guidelines for labor reporting, monitors the submission of the annual labor report from 70 posts, evaluates labor reporting, and distributes the labor reports to interested parties in the public and private sectors. ILAB also assists the Department of State in the recruitment, training, assignment, and promotion of the Labor Attaches, as well as decisions regarding the establishment and abolition of Labor Attache positions and their classification. During FY 1987, ILAB will focus on efforts to improve the labor reporting with regard to internationally recognized workers rights in response to Cpongressional mandates regarding the Caribbean Basin Initiative, the Generalized System of Preferences trade legislation, and the Overseas Private Investment Corporation.

Mr. Early: What new initiatives will the International Labor Affairs Bureau be undertaking in FY 1987?

Mr. Taylor: With staffing at the requested level, one of the principal new initiatives will be required by new legislative mandates regarding labor rights and labor standards requirements as related to U.S. trade concessions granted to exporting countries. These new Department of Labor initiatives are required by new labor standards provisions incorporated in the Generalized System of Preferences (GSP) provisions of the Trade and Tarriff Act of 1984 and the labor criteria incorporated into the Overseas Private Investment Corporation (OPIC) Re-authorization legislation of 1985.

PRESIDENT'S COMMITTEE ON EMPLOYMENT OF THE HANDICAPPED

Mr. Early: As you know, the FY '86 Conference Report stated that should the National Council on the Handicapped be given the statutory authority the President's Committee now has, it was agreed that the FY '87 appropriation for the Committee's function would be provided to the Council. Would you like to comment on that?

Mr. Russell: Yes, I would. I don't believe either agency would be well served by such a transferrance of functions. If the President's Committee on Employment of the Handicapped loses its budget, a number of negative consequences will result. First, the demise of the President's Committee would send an erroneous signal to all quarters that the Federal government is down-grading its employment efforts on behalf of persons with disabilities. Sure, the National Council on the Handicapped would theoretically fill the void our departure would create. However, employment would no longer have the stature and sole focus it currently receives from the President's Committee on Employment of the Handicapped. As a function of the National Council on the Handicapped, employment issues would be forced to compete for both time and attention with numerous other disability topics. Many would read this more as a general weakening of the Federal government's commitment to the employment of persons with disabilities.

In addition, it's important to note that there are 28 state "Governors' Committees on Employment of the Handicapped". They tell us that if we go, they may go. That's because the states look to the Federal government for leadership and direction. With our departure from the scene, there may be a negative impact on many of these state level committees, and consequently on many more local committees on employment of the handicapped. In view of the employment situation facing persons with disabilities, including the resulting economic issues, I believe that employment continues to be <u>the</u> major concern. It warrants the national attention of an independent, single focus presidential agency.

Second, our current membership and activities would be, for the most part, lost. The President's Committee on Employment of the Handicapped consists of almost 600 private sector volunteers who represent all aspects of employment. We have people with disabilities (16%); employers (15%); educators, physicians and other service providers (20%); labor and union representatives (8%); state level Governors' Committees' personnel (10%); and an array of other individuals and national organizations interested in disability issues (31%). These members and the organizations they represent look to the President's Committee for information and for ideas on how they can contribute to the general advancement of employment opportunities for persons with disabilities. Last year alone, we estimate that over six and a half million dollars of in-kind support for our projects was generated through our efforts. These resources may be lost to the disability field and the Nation if the President's Committee on Employment of the Handicapped loses its funding. Would our members look to the National Council for the same services they receive from the President's Committee? Many, including employers and union leaders, have already made it clear that their main interest is employment. They want to spend their time and energies with an agency whose focus and speciality are employment.

Third, our departure would strike a blow against the concept of promoting employment opportunities for disabled people through voluntary compliance efforts. The President's Committee on Employment of the Handicapped represents an attitude that says, "a disabled person who is qualified for the job is not disabled". It's the positive approach. It's an approach that relies on example, correct information and technical assistance to convince the employer that persons with disabilities can work; and, more importantly, can work for them.

These efforts are best received by the private sector when generated by an organization free from evaluative or oversight responsibilities. The President's Committee in its current form represents such an agency.

Mr. Early: Although the President's Committee and the National Council on the Handicapped do not have the same mandate or mission, would you agree that one body could effectively carry out both mandates? Essentially, isn't the objective of both the Committee and the Council to enhance the productivity and quality of life for disabled Americans?

Mr. Russell: I don't believe that combining the functions of the President's Committee on Employment of the Handicapped with those of the National Council on the Handicapped would result in either a better functioning or more effective agency.

If we take a moment to examine each agency's role and each agency's target audience, we can more clearly see the incompatibility inherent in this proposed merger. The function of the National Council is to review Federal sector programs and to make recommendations to the Administration and the Congress on how they can better serve the needs of persons with disabilities. Currently, the National Council is unencumbered by specific programming responsibilities. If they were to be given our functions or programs, they would lose the objectivity they currently enjoy. Instead, they could be forced into the compromising or embarassing position of having to objectively review their own program, as well as the programs of other Federal agencies.

This eventuality becomes even less desirable when we realize that our programming responsibilities are to involve the private sector in voluntary activities designed to further the employment of persons with disabilities. With the proposed merger, we would be asking an agency that reviews Federal level programs, including employment compliance programs, to cultivate employer acceptance and participation. A difficult, if not impossible, task.

I do agree, however, that both agencies share the same objective of enhancing the productivity and quality of life for disabled Americans. But, we can and must pursue the same objective utilizing different techniques and methods. And, that's the point. There is both room and a need for each operation, but, they must remain separate in order to reach their full potential.

Mr. Early: Specifically, how will the Gramm-Rudman reduction of 3 FTE's impact the Committee's functions during 1986?

Mr. Russell: In order to be more productive and effective in the future, the President's Committee has a planned staff reorganization. This plan calls for 36 FTE's. Under the Gramm-Rudman reduction we will only be able to staff 34 of these positions. In order to minimize the impact on the Committee's effectiveness, in carrying out viable programs, the Gramm-Rudman reduction will be taken in the following areas:

Office of the Director: Reduction of one position in the Public Affairs program. This would diminish the Committee's ability to plan, design and execute media programs to educate the general and specialized publics about training and employment of persons with disabilities. Not only will the reduction impact upon the productivity of the Committee, it will also impact upon our ability to promote successful programs sponsored by other organizations involved in disability issues.

Office of Publications: Reduction of one writer-editor. This would diminish the Committee's ability to produce informational and technical materials such as pamphlets, brochures, press releases, magazine articles, statistical data, speeches, etc., for use by general and specific publics, volunteers and State and local Committees on Employment of the Handicapped, all of whom rely upon the Committee's printed materials to promote employment and training for people with disabilities, within their respective audiences.

Mr. Early: For the record would you provide a breakdown of FTE positions and indicate the annual salary associated with the various positions.

Mr. Russell: Listed below is a breakdown of PCEH's FTE positions and associated salaries for FY 1987:

Grade	Annual Salary 1987
ES-05	70,500
ES-04	68,967
GM-15	65,584
GM-15	68,194
GM-15	68,194
GM-14	57,984
GM-14	57,984
GM-14	57,984
GM-13	45,329
GM-13	48,293
GM-13	46,584
GM-13	45,247
GM-13	46,103
GM-13	46,103
GS-13	48,876
GS-13	48,867
GS-12	38,397
GS-12	38,397
GS-12	37,943
GS-12	37,943
GS-12	37,943
GS-12	20,024
GS-10	31,341
GS-09	26,166
GS-09	26,998
GS-08	25,766
GS-08	25,662
GS-07	23,260
GS-07	23,170
GS-07	23,261
GS-06	17,706
GS-06	20,855
GS-06	17,928
GS-05	18,710
GS-04	16,723
GS-04	16,723
GS-04	13,291
Total	$ 1,429,000
Total FTE Positions	(37)

Mr. Early: Would you more fully explain why the $178,000 increase, for changes in the average FTE cost, is needed?

Mr. Russell: PCEH's FY 1987 average salary was determined by formula which started with the 1985 actual average salary of $35,800 and inflated by an estimate for within-grade promotions and the 1986 effect of the 1985 pay raise to yield a 1986 average salary of $36,655 which was inflated by an estimate for within-grade promotions to yield the 1987 average salary of $37,205.

Mr. Early: The FY 87 request for the Committee contains an increase of $92,000 in order to provide additional support services to the Governor's and local Committees on the Employment of the Handicapped. What will this additional support entail?

Mr. Russell: The increase of $92,000 in our FY 1987 budget request will finance 3 FTE's above the FY 1986 post Gramm-Rudman level.

With the addition of these 3 FTE's we will be able to provide more assistance to the States in: (1) promoting successful model state programs throughout other States; (2) replicating successful model State programs at the national level; (3) conducting joint meetings and conferences to address current employment and training issues of concern to people with disabilities; (4) planning, designing and executing media programs at State and local levels; and (5) disseminating more informational and technical materials for use in State and local activities.

Mr. Early: The justification notes that the organizational structure of the President's Committee has been revised and will be implemented as soon as the Federal Personnel Regulations permit. Would you briefly explain how the organizational structure will be changed?

Mr. Russell: The committee will be reorganized into three (3) operating divisions. They are as follows:

The Office of the Director will be responsible for advising the Administration on policy, consulting with the Congress and key staff on legislation, monitoring and analyzing all legislation dealing with disability and employment related issues and testifying as appropriate; coordinating with the Administration on the development of regulations; maintaining liaison with other Federal Agencies regarding employment of persons with disabilities; overseeing all media relations; managing all budget, personnel and support services; conducting all activities of the Executive Committee and overseeing membership criteria and membership rolls.

The Office of Plans, Projects and Services will be responsible for the planning, developing, coordinating and implementing PCEH programs policy, plans and projects and maintaining liaison and cooperative relationships with public and private organizations representing the welfare of persons with disabilities to gain their support of the overall goals of the Committee and to enlist their cooperation in carrying out jointly-sponsored programs to further enhance education, training and employment opportunities of persons with disabilities.

This includes developing a five (5) year action plan to address employment issues and needs of persons with disabilities by developing national projects that can be duplicated or utilized at local levels; working with Governors' and local Committees on Employment of the Handicapped; establishing collaborative efforts with rehabilitation organizations and other Federal agencies; identifying and eliminating barriers standing in the way of employment opportunities for people with disabilities, including work incentives, retention rather than early retirement of workers disabled on the job and upward mobility opportunities of employees with disabilities; providing technical publications and legislative information to the general and specific public.

The Office of Publications will be responsible for conceiving, developing, gathering and maintaining educational and informational publications and materials designed for a wide variety of selected audiences dealing with employment of people with disabilities. This includes producing a quarterly magazine, DISABLED USA, which presents information about employment, training and rehabilitation of persons with disabilities; producing informational and technical materials for the general public, volunteers and State and local Committees on Employment of the Handicapped; producing an Annual Report to the President and Congress; conducting the Committee's annual awards programs; maintaining a speaker's bureau; conducting Radio/TV and print ad campaigns; and preparing speeches and correspondence both general and technical in nature.

Mr. Early: What necessitated these changes?

Mr. Russell: During the last decade there have been many dramatic changes in the disability field. Technological advances in medicine and rehabilitation are enabling individuals with severe disabilities to live longer lives. Statistical data indicated that during the 70's the rate of severe disabilities in this country increased by 71.4%. At the same time, other technological developments, some as a result of space research, are enabling people with severe disabilities to function as participating members of society with the expectations of not only obtaining employment but also career advancement.

At the same time the very character and fiber of employment in the United States is changing drastically. Manufacturing industries, which once provided so many of the nation's jobs are being replaced in great numbers by service and information processing companies. Individuals with disabilities, especially severe disabilities, who may not in the past been able to work in labor intensive industries, can now with appropriate accommodations, excel in the newly developing employment environment.

Both of these trends are demanding an increase in employment opportunities for people with disabilities. The challenge that lies before us is to help realize these opportunities.

Add to these phenomena the development and increased sophistication of a myriad of organizations of and for people with disabilities.

In order to more effectively address these trends, the President's Committee is undertaking a major reorganization.

DEPARTMENTAL MANAGEMENT

SALARIES AND EXPENSES

	Page No.
Appropriation language and explanation of language changes....	1
Amounts available for obligation.....	2
Summary of changes.....	3
Budget Authority by activity.....	6
Budget Authority by object.....	7
Significant Items in FY 1986 House and Senate Appropriations Committees Reports.....	8
Authorizing legislation.....	9
Appropriation history.....	10
Justification:	
Appropriation.....	11
General statement.....	12
Activities:	
Executive direction.....	15
Legal services.....	24
International labor affairs.....	38
Administration and management.....	41
Adjudication.....	57
Promoting employment of the handicapped.....	71
Women's bureau.....	77
Office of civil rights.....	87
New Positions requested.....	91
Advisory and assistance services.....	92
Detail of permanent positions.....	93

DEPARTMENTAL MANAGEMENT

SALARIES AND EXPENSES

For necessary expenses for Departmental Management, including /$2,136,000/ *$2,408,000* for the President's Committee on Employment of the Handicapped, /$99,303,000/ *$103,852,000*, together with not to exceed /$252,000/ *$263,000*, which may be expended from the Employment Security Administration account in the Unemployment Trust Fund. *(37 Stat. 736, 738; 63 Stat. 409; Department of Labor Appropriation Act, 1986: additional authorizing legislation to be proposed for $1,408,000.)*

DM-2

AMOUNTS AVAILABLE FOR OBLIGATION

	1985		1986		1987	
	FTE	Amount	FTE	Amount	FTE	Amount
Appropriation	1,711	$102,330,000	1,533	$99,303,000	1,567	$103,852,000
Sequestered under P.L. 99-177	0	0	-62	-4,269,000	0	0
A. Revised appropriation	1,711	$102,330,000	1,471	$95,034,000	1,567	$103,852,000
Comparative transfers to:						
Labor-Management Services Salaries and Expenses	0	-20,000	0	-20,000		
Working Capital Fund, National Capital Service Center from the Comptroller's Office	-11	0	-11	0		
Comparative transfers from:						
Labor-Management Services, Salaries & Expenses to the Assistant Secretary for Administration & Management	+4	+180,000	0	0		
Occupational Safety & Health Administration to Executive Direction Activity	+1	+57,000	+1	+58,000		
Departmental Management, Reimbursable Account to Executive Direction Activity:						
Employment & Training Administration Program Administration	+3	+231,000	+3	+262,000		
Employment Standards Administration Salaries & Expenses	+19	+900,000	+19	+930,000		
Occupational Safety & Health Administration, Salaries & Expenses	+7	+342,000	+7	+347,000		
Mine Safety & Health Administration, Salaries & Expenses	+9	+425,000	+9	+431,000		
Subtotal Appropriation (adjusted)	1,745	$104,465,000	1,501	$97,062,000		
Offsetting Collections from:						
Employment Security Administration Account, Unemployment Trust Fund	8	240,000	8	252,000	8	263,000
Sequestered under P.L. 99-177	0	0	0	-11,000	0	0
Subtotal, Unemployment Trust Fund	8	240,000	8	241,000	8	263,000
Employment Standards Administration, Black Lung Disability Trust Fund	268	13,688,000	392	19,697,000	414	21,413,000
Sequestered under P.L. 99-177	0	0	-19	-847,000	0	0
Subtotal, Black Lung Trust Fund	268	$13,688,000	373	$18,850,000	414	$21,413,000
Unobligated balance due to Section 515 withholdings1/	0	0		-25,000	0	0
B. Total Available Budget Authority	2,021	$118,393,000	1,882	$116,128,000	1,989	$125,528,000

1/Withheld from obligation pursuant to Section 515 of the Treasury, Postal Service, and General Government Appropriations Act as referenced in the full year Continuing Resolution for 1986, P.L. 99-190.

SUMMARY OF CHANGES
(Dollar Amounts in thousands)

Budget Authority	1986	1987	Net Change
General Funds	$ 97,037,000	$103,852,000	+6,815,000
Trust Funds	19,091,000	21,676,000	+2,585,000
Total	116,128,000	125,528,000	+9,400,000
Full-Time Equivalent			
General Funds	1,501	1,567	+ 66
Trust Funds	381	422	+ 41
Total	1,882	1,989	+ 107

Explanation of Change:

Increases	Trust Funds FTE	Trust Funds Amount	General Funds FTE	General Funds Amount	Total FTE	Total Amount
A. Built-In:						
To provide for net cost of within-grade promotions effective in 1986.....	--	+178,000	--	+845,000	--	+1,023,000
To provide for increased cost of personnel benefits.....	--	+39,000	--	+144,000	--	+183,000
To provide for increased cost of travel and transportation of persons costs.....	--	+28,000	--	+93,000	--	+121,000
To provide for increased space rental costs.....	--	+40,000	--	+264,000	--	+304,000
To provide for increased communications, rent and other utilities costs.....	--	+30,000	--	+133,000	--	+163,000
To provide for increased printing costs...	--	+1,000	--	+15,000	--	+16,000
To provide for increased cost of miscellaneous contracts.....	--	+70,000	--	+353,000	--	+423,000
To provide for increased costs of administrative support services.....	--	+36,000	--	+272,000	--	+308,000
To provide for increased printing costs...	--	+6,000	--	+28,000	--	+34,000
To provide for increased equipment costs..	--	+9,000	--	+6,000	--	+15,000
Subtotal.....	--	+437,000	--	+2,153,000	--	+2,590,000
B. Program:						
To provide for additional Solicitor's Office staff to handle Longshore workload (1986 Base: FTE 782 Budget Authority $43,436,000)	--	--	+30	+956,000	+30	+956,000
To provide for additional Solicitor's Office staff to handle Black Lung workload (1986 Base: FTE 782 Budget Authority $43,436,000)	+10	+396,000	--	--	+10	+396,000

DM-4

Increases	Trust Funds FTE	Trust Funds Amount	General Funds FTE	General Funds Amount	Total FTE	Total Amount
To provide additional printing funds for ECAB (1986 Base: FTE 476 Budget Authority $25,811,000)	--	--	--	+10,000	--	+10,000
To provide for ECAB word processing equipment (1986 Base: FTE 476 Budget Authority $25,811,000)	--	--	--	+9,000	--	+9,000
To provide for OASAM additional ADP services (1986 Base: FTE 208 Budget Authority $21,525,000)	--	--	--	+900,000	--	+900,000
To provide for additional BRB staff to handle Black Lung workload (1986 Base: FTE 476 Budget Authority $25,811,000)	+12	+402,000	--	--	+12	+402,000
To provide additional funds for rental of office space.....	--	+492,000	--	+2,502,000	--	+2,994,000
To provide additional resources for Executive Direction to carry out increased administrative oversight (1986 Base: FTE 172 Budget Authority: $13,128,000)	--	--	+9	+485,000	+9	+485,000
To provide additional resources for the Solicitor's Office to decrease case backlog (1986 Base: FTE 817 Budget Authority: $43,436,000)	+4	+194,000	+6	+1,715,000	+10	+1,909,000
To provide additional resources for International Labor to support foreign policy objectives in trade and labor force issues (1986 Base: FTE 67 Budget Authority: $4,117,000)	--	--	+3	+181,000	+3	+181,000
To provide additional resources for OASAM to augment support functions in financial management, productivity initiatives and ADP oversight (1986 Base: FTE 208 Budget Authority: $21,525,000)	--	+8,000	+23	+938,000	+23	+946,000
To provide additional resources for the Adjudication activities to resolve additional cases, thereby reducing backlogs (1986 Base: FTE 476 Budget Authority: $25,811,000)	+15	+656,000	+11	+478,000	+26	+1,134,000
To provide additional resources for PCEH to provide additional support to State and local efforts (1986 Base: FTE 34 Budget Authority: $2,096,000)	--	--	+3	+92,000	+3	+92,000

Increases	Trust Funds FTE	Trust Funds Amount	General Funds FTE	General Funds Amount	Total FTE	Total Amount
To provide additional resources for the Womens Bureau to increase projects and technical assistance with special emphasis on women's employment issues (1986 Base: FTE 79 Budget Authority: $5,310,000)	--	--	+4	+234,000	+4	+234,000
To provide additional resources for Civil Rights to expand activities that ensure nondiscrimination in Federally assisted programs (1986 Base: FTE 64 Budget Authority: $3,317,000)	--	--	+3	+146,000	+3	+146,000
To provide additional funds for OASAM's advisory and assistance services (1986 Base: FTE 208 Budget Authority: $21,503,000)	--	--	--	+25,000	---	+25,000
Subtotal	+41	+2,148,000	+92	+8,671,000	+133	+10,819,000
Total Increase	+41	+2,585,000	+92	+10,824,000	+133	+13,409,000
Decreases						
A. Program:						
Savings achieved thru Productivity improvements and to reflect changes in the average cost per FTE	--	--	-26	-3,119,000	-26	-3,119,000
Savings achieved thru workload adjustments in administrative support services	--	--	--	-890,000	--	-890,000
Total Decrease			-26	-4,009,000	-26	-4,009,000
Total Change	+41	+2,585,000	+66	+6,730,000	+107	+9,400,000

BUDGET AUTHORITY BY ACTIVITY

	1985 Actual		1986 Appropriation		1986 Estimate		1987 Estimate		Change	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
Budget Authority applied to General Funds:										
1. Executive Direction...	195	13,207,000	140	11,280,000	172	12,843,000	178	12,195,000	6	-$648,000
2. Legal services.....	732	39,598,000	706	39,878,000	700	38,163,000	721	41,003,000	21	+2,840,000
3. International labor affairs.....	82	4,794,000	70	4,220,000	67	4,039,000	69	4,388,000	2	+349,000
4. Administration and Management.....	310	24,646,000	236	21,841,000	202	20,858,000	220	24,038,000	18	+3,180,000
5. Adjudication.....	237	11,693,000	194	11,124,000	183	10,646,000	193	10,843,000	10	+197,000
6. Promoting employment of the handicapped...	38	2,129,000	37	2,136,000	34	2,044,000	37	2,408,000	3	+364,000
7. Women's Bureau.....	84	5,130,000	83	5,441,000	79	5,207,000	83	5,785,000	4	+578,000
8. Civil Rights.....	67	3,268,000	67	3,383,000	66	3,237,000	66	3,192,000	2	-45,000
Subtotal.....	1,745	104,465,000	1,533	99,303,000	1,501	97,037,000	1,567	101,352,000	66	+4,815,000
Budget Authority applied to Trust Funds:										
2. Legal services.....	64	3,503,000	86	4,499,000	82	4,305,000	96	5,083,000	14	+778,000
4. Administration and Management.....	6	195,000	6	204,000	6	196,000	6	206,000	0	+10,000
5. Adjudication.....	206	10,230,000	308	15,246,000	293	14,590,000	320	16,387,000	27	+1,797,000
Subtotal.....	276	13,928,000	400	19,949,000	381	19,091,000 1/	422	21,676,000	41	+2,585,000
Total Budget Authority...	2,021	118,393,000	1,933	119,252,000*	1,882	116,128,000	1,989	125,528,000	107	+9,400,000
Note: Unemployment Trust Fund	(8)	(240,000)	(8)	(252,000)	(8)	(241,000)	(8)	(263,000)	(0)	(22,000)
Black Lung Trust Fund.....	(268)	(13,688,000)	(392)	(19,697,000)	(373)	(8,850,000)	(414)	(21,413,000)	(41)	(12,563,000)

1/ Included in 1986 Estimate above:

Sequestered under P.L. 99-177.....-$5,127,000 and -81 FTE
Withdrawal pursuant to P.L. 99-190.....-$ 25,000 and 0 FTE

Comparative transfers from the Reimbursable Account:
Employment and Training Administration, Program Administration.....+$262,000 and +5 FTE
Occupational Safety and Health Administration, Salaries and Expenses.....+$347,000 and +7 FTE
Mine Safety and Health Administration, Salaries and Expenses.....+$431,000 and +9 FTE
Employment Standards Administration, Salaries and Expenses.....+$950,000 and +19 FTE

Comparative transfer from Occupational Safety and Health Administration.....+$58,000 and +1 FTE
Comparative transfer to Working Capital Fund, National Capital Service Center.....-$ 0 and -11 FTE
Comparative transfer to Labor-Management Services.....-$20,000 and 0 FTE
*Includes $255,000 and 7 FTE from Working Capital Fund, National Capital Service Center.

BUDGET AUTHORITY BY OBJECT

	1985 Comparable	1986 Estimate	1987 Estimate
Total number of full-time permanent positions	2,020	1,976	2,002
Full-time equivalent:			
Full-time in permanent positions	1,928	1,801	1,908
Other positions	93	81	81
Total	2,021	1,882	1,989
Average ES salary	$68,918	$68,918	$68,918
Average GM/GS grade	10.89	10.95	10.96
Average GM/GS salary	$36,286	$37,153	$37,710
Personnel Compensation:			
Permanent positions	$68,933,000	$68,229,000	$70,352,000
Positions other than permanent	1,797,000	1,451,000	1,515,000
Other personnel compensation	755,000	718,000	718,000
Special personnel services	125,000	125,000	125,000
Subtotal, personnel compensation	71,609,000	70,523,000	72,710,000
Personnel benefits	8,199,000	8,390,000	8,711,000
Travel and transportation of persons	3,401,000	3,048,000	3,378,000
Transportation of things	119,000	97,000	116,000
Space Rental	6,661,000	7,041,000	10,503,000
Communications, utilities & other rent	4,024,000	3,977,000	4,401,000
Printing and reproduction	612,000	383,000	423,000
Other services 1/	22,327,000	21,460,000	23,899,000
Supplies and materials	1,057,000	838,000	940,000
Equipment	384,000	371,000	447,000
Total, Budget Authority by Object	$118,393,000	$116,128,000	$125,528,000
Working Capital Fund obligations included above	($8,285,000)	($9,948,000)	($9,816,000)
Advisory and Assistance Services included above	(249,000)	(224,000)	(224,000)

1/ Includes the following amounts for services of other Agencies:

Department of Labor:			
Departmental Management Reimbursables	(83,000)	(82,000)	(82,000)
Consumer Information Center	(343,000)	(42,000)	(42,000)
General Services Administration	(612,000)	(189,000)	(189,000)

DM-8

SIGNIFICANT ITEMS IN 1986
HOUSE AND SENATE APPROPRIATIONS COMMITTEES REPORTS

Item	Action Taken or to be Taken
1986 Senate Report (No. 99-151)	
- Report on the staffing levels, by position, in the Office of Administrative Law Judges and their productivity. Report is due April 1, 1986. The Department is further directed to utilize GS-'6 administrative law judges, to the fullest extent practical to hear black lung cases, without further jeopardizing their other responsibilities mandated by law. Also, the Department is directed to pursue the hiring of retired administrative law judges and the borrowing of administrative law judges from other agencies to reduce the backlog.	The requested report will be provided by April 1. The Department has obtained the services of several retired judges and is negotiating with other agencies to obtain borrowed judges at a reasonable reimbursable rate to work on black lung cases. Subject to statutorial limitations, GS-16 ALJ's are being used to reduce black lung backlogs.
- Advise the Committee of any renewed efforts to consolidate the Bureau of Labor Statistics personnel functions into the National Capital Service Center.	The Department has no plans to consolidate the Bureau of Labor Statistics personnel functions to the National Capital Service Center.
- Review the mission and goals of the President's Committee of the Handicapped in light of the current Federal and State disability laws, and be prepared to discuss this review at the Committee's FY 1987 budget hearings.	The President's Committee began a review of its mission and goals at a December 15-17, 1985 retreat which was attended by representatives from the various constituents served by the Committee. The refocused mission and goals resulting from the Retreat will be acted upon by Executive Committee at a meeting in early February. In order to implement the revised mission and goals, a reorganization of the Committee and staff is in the planning stages. We will be prepared to discuss this review at the FY 1987 budget hearings.
1986 House Report (No. 99-289)	
Report by January 1, 1986 on the following:	
- a strategy and plan for consultation with the GSA's Planning Assistance Group,	A report was provided by the Secretary in a letter dated January 10, 1986.
- a missions and functions statement for all components of the Directorate of Information Resources Management (DIRM),	
- a statement of the duties of desk officers within DIRM, and	
- specific, written criteria for the evaluation of ADP five-year plans and specific procurement action by the DIRM.	

AUTHORIZING LEGISLATION

Legislation	Budget Request 1986	1987
Authorizing legislation containing indefinite authority		
Act of 1913 to create a Department of Labor (37 Stat. 736; 5 U.S.C. 611).....	1/ $105,272,000	$113,764,,000
Act to establish the Women's Bureau (Public Law 66-259).....	$ 5,207,000	$ 5,785,000
Civil Rights Act of 1964 (Title VI).....	$ 3,237,000	$ 3,192,000
Amendments to the Small Business Investment Act of 1958 (Public Law 95-507).....	$ 368,000	$ 379,000
Authorizing legislation containing specific authority		
Legislation for the President's Committee on Employment of the Handicapped (Public Law 95-480).....	2/ $ 2,044,000	$ 2,408,000

1/ Includes $241,000 for FY 1986 and $263,000 for FY 1987 to be derived from the Employment Security Administration account in the Unemployment Trust Fund; and $18,850,000 for FY 1986 and $21,413,000 for FY 1987 to be derived from the Black Lung Disability Trust Fund.

2/ A proposal has been transmitted to the Congress revising the current authorization for appropriations of $1,000,000 to such sums as may be necessary.

DM-10

APPROPRIATION HISTORY

	Budget Estimates to Congress	House Allowance	Senate Allowance	Appropriation
1977.....	54,096,000	53,378,000	53,248,000	53,248,000
1978.....	71,203,000	69,583,000	69,160,000	69,160,000
1979.....	91,382,000	86,374,000	86,374,000	86,374,000
1980.....	99,347,000	99,347,000	114,947,000	114,947,000
1981.....	130,170,000	127,215,000	---	126,915,000
1982.....	135,350,000	150,596,000	143,042,000	137,889,000
1983.....	113,554,000	113,554,000	115,713,000	116,513,000
1984.....	109,166,000	109,239,000	112,834,000	109,194,000
1985.....	113,658,000	114,658,000	116,258,000	116,258,000
1986.....	110,060,000	119,035,000	113,034,000	119,252,000 1/
Sequestered under P.L.99-117.....				$ 5,127,000
1987.....	$125,528,000 2/			

1/ Includes $252,000 in FY 1986 to be derived from the Employment Security Administration Account in the Unemployment Trust Fund; and $19,697,000 to be derived from the Black Lung Disability Trust Fund.

2/ Includes $263,000 in FY 1987 to be derived from the Employment Security Administration account in the Unemployment Trust Fund, and $21,413,000 to be derived from the Black Lung Disability Trust Fund.

Note: 1984 and prior estimates exclude the Assistant Secretary for Veterans Employment and Training which is financed from a separate appropriation beginning in FY 1985.

DEPARTMENTAL MANAGEMENT
SALARIES AND EXPENSES
JUSTIFICATION

	1985 Comparable		1986 Appropriation		1986 Estimate		1987 Estimate		Increase or Decrease	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
Executive direction.....	195	13,207,000	140	11,280,000	172	12,843,000	178	12,195,000	6	-648,000
Legal services..... ..	796	43,101,000	792	44,377,000	782	42,468,000	817	46,086,000	35	3,618,000
International Labor affairs.....	82	4,794,000	70	4,220,000	67	4,039,000	69	4,388,000	2	349,000
Administration and Management.....	316	24,841,000	242	22,045,000	208	21,054,000	226	24,244,000	18	3,190,000
Adjudication.....	443	21,923,000	502	26,370,000	476	25,236,000	513	27,230,000	37	1,994,000
Promoting employment of the handicapped.....	38	2,129,000	37	2,136,000	34	2,044,000	37	2,408,000	3	364,000
Women's Bureau.....	84	5,130,000	83	5,441,000	79	5,207,000	83	5,785,000	4	579,000
Civil Rights.....	67	3,268,000	67	3,383,000	64	3,237,000	66	3,192,000	2	-46,000
Total Obligations.....	2,021	118,393,000	1,933	119,252,000*	1,882	116,128,000 1/	1,989	125,528,000	107	+9,400,000

1/ Included in 1986 Estimate above:
Sequestered under P.L. 99-177.....-$5,127,000 and -81 FTE.
Withdrawal pursuant to P.L. 99-190.....-$ 25,000 and — FTE.

Comparative transfers from the Reimbursable Account:
Employment and Training Administration, Program Administration.....+$262,000 and +5 FTE.
Occupational Safety and Health Administration, Salaries and Expenses.....+$347,000 and +7 FTE.
Mine Safety and Health Administration, Salaries and Expenses.....+$431,000 and +9 FTE.
Employment Standards Administration, Salaries and Expenses.....+$950,000 and +19 FTE.

Comparative transfer from Occupational Safety and Health Administration.....+$58,000 and +1 FTE.
Comparative transfer to Working Capital Fund, National Capital Service Center.....-$ 0 and -11 FTE.
Comparative transfer to Labor-Management Services.....-$20,000 and 0 FTE.
*Includes $255,000 and 7 FTE from Working Capital Fund, National Captial Service Center.

DM-12 General Statement

The primary goal of the Department of Labor (DOL) is to protect and promote the interests of the American worker. This salaries and expenses appropriation finances staff responsible for formulating and overseeing the implementation of Departmental policy and management activities for the purpose of protecting and promoting the interests of the American worker. In addition, this appropriation includes a variety of operating programs and activities that are not involved in departmental management functions but for which there is no other salaries and expenses appropriation. Thus, this appropriation also represents a consolidated appropriation account for smaller operating programs.

The Departmental Management salaries and expenses appropriation is composed of the following activities: a) Executive Direction, b) Legal Services, c) International Labor Affairs, d) Administration and Management, e) Adjudication, f) Promoting Employment of the Handicapped, g) Women's Bureau, and h) Office of Civil Rights.

The Executive Direction activity includes: (1) the Immediate Office of the Secretary, (2) the Office of the Under Secretary, (3) the Office of Information and Public Affairs, (4) the Office of the Assistant Secretary for Policy, (5) the Office of Small and Disadvantaged Business Utilization, (6) the Office of Legislative Affairs, and (7) the Office of Intergovernmental Affairs which includes the Regional Representatives. This activity provides leadership and direction to the various agencies of the department of Labor. Offices assigned to this activity provide advanced economic and quantitative analysis techniques on policy issues and maintain a public information and communications program to educate and inform the public of the services and protections afforded them by the Department. Evaluation of the effectiveness of departmental programs is coordinated within this activity, guidance is provided on proposed legislation affecting the American wage-earner, and efforts are made to ensure that small and disadvantaged businesses receive their fair share of departmental contracts.

The Office of the Solicitor provides legal services to the Secretary of Labor and to departmental program officials. The major objectives are: 1) to support the Department's enforcement efforts by promoting both voluntary compliance and, whenever necessary, conducting litigation, in support of departmental programs; 2) to ensure the legal sufficiency of all orders, regulations, written interpretations and opinions issued by the Department; 3) to protect the financial interests of the Federal government under various workers' compensation claims and damage claims; and 4) to assist the Secretary and ranking officials in maintaining and promoting effective relationships with the Executive Branch and Congress.

The Bureau of International Labor Affairs coordinates the Department of Labor's international responsibilities. Department of Labor goals in this area are: (1) to assure that the needs and interests of American workers are given due consideration in the formulation and implementation of U.S. international economic and foreign policies; (2) to support U.S. foreign policy objectives through DOL's relationships with international organizations (principally the International Labor Organization), foreign governments, U.S. labor unions, and U.S. employer organizations; (3) to assist in promoting U.S. labor, business, and government interests abroad by providing information and analysis of trade unions and labor conditions in other countries; and (4) to enhance the welfare of American workers and improve government labor administration in the U.S. by providing opportunities for DOL Agencies to benefit from the experiences of foreign labor ministries.

The Administration and Management activity includes: a) the immediate Office of the Assistant Secretary, b) the Office of Labor-Management Relations, c) the Directorate of Personnel Management, d) the Office of the Comptroller, e) the Library and f) the Directorate of Information Resource Management. The purpose of this activity is to exercise leadership in all Department of Labor administration and management programs through formulation of policies and implementation of systems to improve accountability, efficiency, and controls. The primary goals are: 1) to exercise leadership in all DOL administration and management programs and services; 2) to develop financial policy and strengthen financial controls including improved debt collection; 3) to plan and direct a comprehensive personnel management program for the Department; 4) to provide consistent and constructive internal labor-management relations throughout the Department of Labor; 5) to direct a centralized library program for the Department; and 6) to provide leadership and oversight in the planning and use of automatic data processing, office automation and data telecommunications systems to increase the efficiency and effectiveness of departmental programs.

The Adjudicatory activity, which encompasses the Office of Administrative Law Judges, the Benefits Review Board, the Employees' Compensation Appeals Board, and the Wage Appeals Board is responsible for conducting formal hearings and rendering timely decisions on claims filed under the Longshoreman's and Harbor Workers' Compensation Act and its extensions, the Black Lung Benefits Reform Act of 1977, the Federal Employees' Compensation Act, and other acts involving complaints to determine violations of minimum wage requirements, overtime payments, health and safety regulations, and unfair labor practices. These acts include the Walsh-Healy Public Contract Act, the Service Contract Act, the Contract Work Hours Standard Act, the Davis-Bacon Act, the Farm Labor Contractor Registration Act of 1963, the recently enacted Job Training Partnership Act, and Executive Orders 11491 and 11246.

The President's Committee on Employment of the Handicapped (PCEH) strives to develop a climate in America conducive to maximum employment of physically handicapped, mentally retarded, and mentally restored persons. The Committee seeks to identify and eliminate barriers standing in the way of full social and vocational opportunities for handicapped persons and to develop national educational and information programs to improve public attitudes about handicapped people.

The Women's Bureau develops policies to promote the welfare of wage-earning women. The program includes: 1) economic analysis relating to women's employment, 2) legislative analysis of policies and programs for their impact on women, 3) coordination of intra-departmental efforts to advance the status of women and linkages with other Federal agencies to further the welfare of women, 4) outreach programs planned and designed to improve the economic and employment status of women, and 5) the provision of technical and advisory services to promote the welfare of women in the labor market.

The Office of Civil Rights (OCR) is responsible for ensuring full compliance with constitutional, statutory, and regulatory nondiscrimination provisions in programs receiving financial assistance from the Department of Labor and promoting equal employment opportunity in those programs and activities. In addition to its statutory responsibilities for ensuring nondiscrimination in federally assisted programs, OCR is responsible for the management and direction of the Department's equal employment opportunity (EEO) counseling program and for the investigation of EEO complaints pertaining to the rights of applicants for employment with the Department and departmental employees.

DM-14

The Fiscal Year 1987 budget request reflects mandatory increases of $2,590,000 offset by program decreases of $4,009,000 and 26 FTE. Also included are program increases totalling $10,819,000 and 133 FTE for a net increase of $9,400,000 and 104 FTE. The program reductions are distributed as follows: $3,119,000 and 26 FTE as a result of productivity increases and a lower average cost per FTE; $890,000 as a result of workload changes in the Working Capital Fund. Program increases are distributed as follows: $5,127,000 and 81 FTE to process increased workloads across several activities and $956,000 and 30 FTE to allow the Solicitor's Office to handle increasing Longshore and Harborworker's Section 8(f) claims, $396,000 and 10 FTE for the Solicitor's Office to litigate Black Lung cases, $402,000 and 12 FTE for the Benefits Review Board to handle increasing Black Lung appeals, $900,000 ADP support for the Administration and Management activity, $10,000 for Employee's Compensation Appeal Board (ECAB) printing funds and $9,000 for upgrading ECAB's word processing equipment.

EXECUTIVE DIRECTION

DM-15

1985 Comparable		1986 Appropriation		1986 Estimate		1987 Estimate		Increase or Decrease	
FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
195	$13,207,000	140	$11,280,000	172	$12,843,000 1/	178	$12,195,000	6	-$648,000

1/ Included in 1986 Estimate above:
Sequestered under P.L. 99-177.....-$485,000 and -9 FTE.
Comparative transfers from the Reimbursable Account:
Employment and Training Administration
Program Administration.....+$262,000 and +5 FTE.
Occupational Safety and Health Administration,
Salaries and Expenses.....+$347,000 and + 7 FTE.
Mine Safety and Health Administration,
Salaries and Expenses.....+$431,000 and + 9 FTE.
Employment Standards Administration,
Salaries and Expenses.....+$950,000 and +19 FTE.
Comparative transfer from Occupational Safety and
Health Administration.....+$ 58,000 and + 1 FTE.

Introduction

The Executive Direction activity includes: (1) the immediate Office of the Secretary, (2) the Office of the Under Secretary, (3) the Office of Public and Intergovernmental Affairs, (4) the Office of the Assistant Secretary for Policy, (5) the Office of Small and Disadvantaged Business Utilization, and (6) the Office of Congressional Affairs. This activity provides leadership and direction to the various agencies of the Department of Labor. Offices assigned to this activity provide advanced economic and quantitative analysis techniques on policy issues and maintain a public information and communications program to educate and inform the public of the services and protections afforded them by the Department. Evaluation of the effectiveness of departmental programs is coordinated within this activity, guidance is provided on proposed legislation affecting the Department of Labor and the labor community, and efforts are made to ensure that small and disadvantaged businesses receive their fair share of Departmental contracts.

The immediate Office of the Secretary, in working to accomplish the major objectives of the Department, sets policy and provides direction for all agencies of the Department, maintains an international presence for the Administration and the Department of Labor on Departmental programs and labor-related issues, is responsible for managing the Department and reviewing priorities, and assists the Secretary in his function as a Cabinet Officer. The Office of the Under Secretary oversees the day-to-day management of the Department, provides an on-going response to program operations, and carries out the Secretary's goals and objectives.

The Office of Public and Intergovernmental Affairs (OPIA) provides the Department of Labor with a comprehensive information and public affairs program designed to enhance program effectiveness; provides advice, guidance and support service to the Secretary and the Department's executive, program and information staff, and services the public's needs for information on the programs, services, protections and benefits provided by the Department. OPIA also ensures that the concerns of State and local officials and their representative associations, as well as public interest groups, labor unions and business associations, receive full consideration by the Department, and that those groups are provided up-to-date information on programs of interest to them.

The Office of the Assistant Secretary for Policy (OASP) provides the Secretary with analytical support on economic policy issues; assists the Secretary, the Under Secretary, and Departmental agencies in the design and evaluation of Labor Department programs by providing analytic support and research direction; and performs and/or oversees the performance of research in areas of special interest to the President and the Secretary. OASP is organized primarily along functional lines. Its staff resources cover a broad array of technical economic and analytical capabilities designed to provide the Office of the Secretary with flexible support in a wide variety of economic areas.

The Office of Small and Disadvantaged Business Utilization (OSDBU) implements and administers those functions and duties under Sections 8 and 15 of the Small Business Act, as amended. It is also responsible for Departmentwide policy, plans, guidance, and direction concerning the establishment of procurement preferential goals to ensure that small and disadvantaged business concerns, including women-owned businesses and labor surplus area firms, receive a fair share of government purchases, contracts, and subcontracts. OSDBU is also responsible for a number of other programs in DOL including: Historically Black Colleges and Universities; the Minority Bank Deposit Program, and the Small Business Innovative Research Program.

The Office of Congressional Affairs (OCA) serves as the principal advisor to the Secretary in the discharge of duties and responsibilities to the Congress and the coordinator of all Congressional activities affecting the Department of Labor. OCA functions in this respect are to work with Members of Congress, Congressional Committees and staff, and the White House Legislative Liaison staff, to assure positive legislative results on the administrative programs and activities affecting the Department of Labor and monitor inquiries from Members of Congress on behalf of their constituents, and respond in a timely manner. OCA also coordinates its activities with the legislative staffs of other Federal agencies to effectuate the administration's legislative proposals.

1987 Budget Request

The FY 1987 budget request for this activity totals $12,195,000 and 178 FTE which represents a net increase of 6 FTE and a net decrease of $648,000. Within the resources provided, Executive Direction will be able to execute its functions and meet its responsibilities in the public and private sectors. Accordingly, this activity will continue to:

- provide the Department of Labor with a comprehensive information and public affairs program designed to enhance program effectiveness; provide advice, guidance and support services to the Secretary and the Department's executive, program and information staff, and adequately serve the public's need for information on the programs, services, protections and benefits provided by the Department.

- ensure that the concerns of state and local officials and their representative associations, as well as public interest groups, labor unions and business associations, receive full consideration by the Department, and that those groups are provided with up-to-date and timely information on programs of interest to them.

- implement and administer those functions and duties under Sections 8 and 15 of the Small Business Act, as amended. The mission of DOL's OSDBU is to (1) aid, counsel, assist and protect the interests of small business; (2) to ensure that small business concerns receive a fair proportion of DOL's purchases, contracts and subcontracts; (3)

act as ombudsman in DOL for small business; (4) supervise the Historically Black University Program; and (5) supervise the Minority Bank Deposit Program.

-- advise and counsel the Secretary of Labor with respect to his responsibilities in the area of policy formulation and on regulatory and policy issues presented to the Policy Review Group and the economical impact of such policies.

-- provide analytical support for a broad range of policy functions such as participation in Cabinet Council deliberations and with other groups concerned with issues not directly related to the responsibility of the Department of Labor.

-- prepare recommendations and analyses with respect to long and short-term economic trends relating to the formulation of policies within the United States.

-- coordinate DOL activities and represent the Secretary in dealing with policy officials in the government, appropriate consultants and other outside parties, OMB, and the White House on policy matters of an economic nature.

-- coordinate research and evaluate activities within the Department to ensure that such activities are in accord with the Secretary's priorities.

-- work with members of Congress, Congressional Committees and staff, and White House legislative liaison staff to assure positive legislative results on the administrative programs and activities affecting the Department of Labor.

1986

In FY 1986, a reduction of $485,000 was taken for Gramm-Rudman-Hollings. This will require a reduction of nine full-time equivalents across the activity.

Office of Public and Intergovernmental Affairs

OPIA will continue to provide the Department with a comprehensive information program while continuing its review, modification, or institution of more cost-efficient yet effective operations. Its public affairs goal is to enhance program effectiveness by educating the public about DOL programs and obtaining its support and cooperation. Increased targeting and improved communication techniques are vital elements in obtaining this goal. It will continue to serve as the Department's central contact point for all inquiries from the media and public, as the central review and dissemination point for all Departmental issuances, and as the central source within the Department for advice and guidance on all information matters. Continued and increased activities will be planned and carried out by the regional staff and an active Departmental consumer affairs program will be spearheaded by OPIA. Its audiovisual unit will continue to provide expert advice, guidance and services to the Department in support of program and administrative activities.

Also, OPIA will continue to provide overall guidance, supervision and coordination of the implementation of Executive Order 12372,

Intergovernmental Review of Federal Programs, within the Department. It will continue its efforts to establish and maintain liaison in each region with State and local government officials, public interest groups, labor unions, and business groups to provide required feedback.

OSDBU

In FY 1986; OSDBU will continue to:

- Aid, counsel, assist and protect the interests of small and minority businesses; ensure that small business concerns receive a fair share of Government purchases, contracts and subcontracts; and to promote awards of Government contracts in labor surplus areas (areas of high unemployment).

- Serve as a contact and assistance point for members of Congress, State and local officials, civic, public interest and business groups, non-profit associations and small business firms. Participate in Congressionally-sponsored Procurement Conferences and private sector procurement conferences.

- Implement and administer those functions and duties under Sections 8 and 15 of the Small Business Act, as amended.

- Develop and administer systematic procedures for ensuring the effective execution of the Small Business Act, as amended.

- Determine Labor Surplus Area (LSA) procurement goals and review all procurements and those set-aside for LSAs.

OASP

In FY 1986, the Office of the Assistant Secretary for Policy will continue to:

- Advise and counsel the Secretary of Labor with respect to his responsibilities in the area of policy formulation and on regulatory and policy issues presented to the Policy Review and Coordinating Committee and the economical impact of such policies.

- Provide analytical support for a broad range of policy functions such as participation in Cabinet Council deliberations and with other groups concerned with issues not directly related to the responsibility of the Department of Labor.

- Prepare recommendations and analyses with respect to long and short-term economic trends relating to the formulation of policies within the United States.

- Coordinate DOL activities and represent the Secretary in dealing with policy officials in the government, appropriate consultants and other outside parties, OMB, and the White House on policy matters of an economic nature.

- Coordinate research and evaluative activities within the Department to ensure that such activities are in accord with the Secretary's priorities.

Office of Congressional Affairs

In FY 1986, the Office of Congressional Affairs will provide advice, guidance and support services to the Secretary on all legislative initiatives affecting the Department of Labor and the labor community. The office will oversee all the Department's congressional activities and maintain the Department's relationship with Congress. OCA functions in this respect are to:

-- Work with Members of Congress, Congressional Committees and staff, White House legislative liaison staff and the legislative staff of Federal agencies to effectuate the Administration's legislative programs and activities of concern to the Department of Labor.

-- Continue a system of centralized congressional operations and clear all outgoing congressional mail.

-- Write and deliver a daily congressional update, the Labor Legislative Daily, a weekly congressional affairs report and a weekly hearing calendar.

-- Arrange informal meetings at the Department with select congressional staff and Members with the Secretary and senior DOL officials.

-- Monitor DOL grants to assure that proper congressional notification is given when necessary.

-- Coordinate confirmation hearings on DOL Presidential appointments.

-- Monitor inquiries from Members of Congress on behalf of their constituents and respond in a timely manner.

-- Work with the Solicitor in carrying out his duties in the preparation and presentation of Departmental reports and testimony, and coordinate official Departmental comments on proposed legislation.

1985

OPIA

During FY 1985, the Office of Public and Intergovernmental Affairs was established by merging the Office of Information and Public Affairs with the Office of Intergovernmental Affairs. This Office is headed by a Deputy Under Secretary who is responsible for overseeing all of the Department's public affairs and public information activities and provides direction and guidance to the Department's intergovernmental affairs program. Specific accomplishments include:

-- OPIA carried out a comprehensive, nationwide information program supporting all Departmental and agency program activities. Services included: news releases; news services for specialized media; speeches, articles, letters-to-the-editor and op-ed pieces; multi-media campaigns; briefing and monitoring reports for the Secretary and other DOL officials; arranging media interviews; public service announcements, and special regional outreach projects; advice and guidance to DOL executive, program, information and training staffs on all issues pertaining to public information; providing in-depth information support to the Secretary and information support and

services required by all Departmental components and the public in general; central clearance and distribution point for all Departmental news releases, clearance point for publications and audiovisual materials, and central contact point for all inquiries from the public and the media. Coordinated the development of the FY 1986 information plans and monitored and evaluated the implementation of the FY 1985 Plan. Successfully responded to the request for a wide range of services from the Secretary, all DOL agencies and the public.

-- Provided information and intergovernmental support for the Department's role in major Administration efforts and the Secretary of Labor's goals and initiatives.

-- Maintained the Department's control system for periodicals, pamphlets and audiovisual materials complying with OMB requirements. This system is designed to assure an effective, cost-efficient audiovisual publications program.

-- Carried out a regional information program covering all Department of Labor programs, services and activities and provided staff support to the Secretary and other national and regional office officials.

-- Provided the Department with a wide range of audiovisual services including audio-video, graphic and photographic services, as well as consumer affairs support services.

-- Implemented an information program for state and local government officials and their representative associations covering various issues including the effect of the Supreme Court's decision in the Garcia case on State and local government budgets, the Youth Employment Opportunity Wage and the unemployment insurance devolution proposal.

-- The Regional Representatives continued their outreach efforts with State and local officials in their respective regions.

-- Strengthened its relationship with intergovernmental public interest groups as well as such other organizations whose members include State labor officials, keeping them up-to-date on the Department's programs and initiatives and to solicit their input.

Assistant Secretary for Policy (ASP)

In FY 1985, ASP's efforts were directed at providing the Department with the necessary overall support in policy formulation and in:

-- Reducing regulatory burdens on employers without relaxing worker protections;

-- Fulfilling functions of the Offices of Economic Policy Analysis, Regulatory Economics, Research and Technical Support, and Program Economics which include providing support relative to the Department's role in the Administration, especially in the Cabinet Councils;

-- Serving the Secretary of Labor with concentration on policy support to the Cabinet Councils. Throughout the Department, emphasis will

be placed on regulatory reform, policy formulation, and coordination of research and evaluation.

OSDBU

-- Established Departmental goals for small and minority businesses and monitored agency performance on a quarterly basis. (1) Small Business awards totaled $65.0 million; (2) 8(a) small disadvantaged business awards were $13.9 million; (3) small disadvantaged business awards amounted to $21.4 million; (4) women-owned/controlled businesses awards totaled $6.0 million and (5) labor surplus totaled $63.7 million.

-- Utilized the Procurement Automated Source System (PASS) terminal to assist agencies, private sector, Congress, etc. in meeting the requirements of P.L. 95-507 for profiles of small businesses.

-- Cooperated and supported 38 Congressionally-sponsored procurement conferences in at least 18 States with over 15,000 attendees; also supported numerous other conferences and Trade Fairs held by States, Counties, and Associates. The OSDBU staff, Small Business Specialists as well as representatives from ESA, OASAM and OSHA provided information on procurement and laws administered by DOL agencies.

-- Assisted and advised small business firms and prospective small business owners on technical, procurement, procedural steps in starting a business, and procurement opportunities with the DOL and U.S. Government.

-- Visited and monitored agencies within the Department, both National and Regional, to ensure compliance with P.L. 95-507 and that small and disadvantaged businesses received their fair share of contract awards.

Office of Congressional Affairs (OCA)

During FY 1985, the Office of Legislative Affairs was renamed the Office of Congressional Affairs. The Office is headed by a Deputy Under Secretary who is responsible for overseeing all the Department's congressional activities and maintaining the Department's relationship with Congress. OCA provided advice, guidance and support services to the Secretary on all legislative initiatives affecting the Labor Department and the labor community. OCA assisted the Solicitor in preparing and presenting DOL reports and testimony, and coordinating official DOL comments on proposed legislation. Inquiries from Members on behalf of their constituents were monitored and the responses cleared by OCA. In addition, the office worked with Members of Congress, congressional committees and staff, and the Wage House legislative liaison staff on Administration programs and activities affecting the Department. Also, OCA:

-- Carried out a comprehensive reorganization of congressional affairs activities and office functions to institute a system of centralized operations. All Congressional mail is now cleared by OCA. To improve communication, coordination and leadership within the Department, regularly scheduled meetings are held to provide status report on Congressional activities.

-- Implemented within DOL a daily congressional update which includes the Labor Legislative Daily, a weekly congressional affairs report, and a weekly hearing calendar.

-- Instituted informal meetings at the Department with select congressional staff and Members with Secretary Brock and senior DOL officials.

DM-22

Changes for 1987

Activity Changes:

Built-in:

Personnel costs including net cost of within-in grade promotions effective in 1986, and increased cost of personnel benefits	+$133,000
Nonpersonnel costs including increased cost of travel, transportation, space rental, communications, rent and other utilities, printing, miscellaneous contracts, administrative support services, supplies and equipment	+$152,000
Subtotal	+$285,000
Net Program	-$631,000
FTE	+6

Executive Direction

Proposal: To provide an increase in funding of $485,000.

Rationale: This increase will provide funding for Executive Direction activities to increase workload processed.

Program Effects: The additional resources will support Executive Direction activities and provide increased administrative oversight and policy leadership.

Base
FTE: 140 Estimate: $13,216,000

Program Increase
FTE: +9 Estimate: +$485,000

Proposal: To provide $329,000 in additional funds for the rental of office space.

Rationale: This increase will cover Executive Direction's fair share of space charges as estimated by GSA.

Program Effects: These additional resources will avoid reductions in other areas, i.e., personnel, travel, contracts, etc.

Base
FTE: 140 Estimate: $13,216,000

Program Increase
FTE: -- Estimate: +$329,000

Proposal: To provide a reduction of $98,000 in administrative support services, i.e., Working Capital Fund (WCF).

Rationale: This reduction is necessary as a result of WCF workload changes.

Program Effects: None

Base
FTE: 140 Estimate: $13,216,000

Program Decrease
FTE: -- Estimate: -$98,000

Proposal: To provide for savings achieved through productivity improvements.

Rationale: This reduction is taken as a part of the President's program to achieve productivity increases throughout the Federal government.

Program Effects: This reduction is expected to result in increased program efficiencies.

Base
FTE: 140 Estimate: $13,216,000

Program Decrease
FTE: -3 Estimate: -$120,000

Proposal: To provide a reduction in funding of $1,529,000.

Rationale: This reduction reflects a change in average cost per FTE in 1987.

Program Effects: None.

Base
FTE: 140 Estimate: $13,216,000

Program Decrease
FTE: -- Estimate: -$1,529,000

DM-24

LEGAL SERVICES

FY 1985 Comparable		FY 1986 Appropriation*		FY 1986 Estimate 1/		FY 1987 Estimate		Increase or Decrease	
FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
796	$43,101,000	792	$44,377,000	782	$42,468,000	817	$46,086,000	+ 35	+ $3,618,000

1/ Included in 1986 Estimate above:
Sequestered under P.L. 99-177.....-$1,909,000 and 10 FTE

* Includes $255,000 and 7 FTE for Working Capital Fund, National Capital Service Center

Introduction

The staff included in this activity provides the Secretary of Labor and Departmental program officials with the legal services required to accomplish the Department's mission. Federal funds support the salaries and expenses of the Solicitor of Labor and staff. The major services provided include: litigation of cases in various Federal trial and appellate courts and before Administrative Law Judges (ALJ's) and administrative appellate tribunals; provision of assistance to the Department of Justice and local U.S. Attorney's Offices in case preparation and trials; review of rules, orders and written interpretations and opinions to Department of Labor (DOL) program agencies and the public; and coordination of the Department's legislative program.

1987 Budget Request

In FY 1987, work is expected to increase in the implementation of the enforcement programs established as a result of the 1985 Supreme Court decision in Garcia v. San Antonio Metropolitan Transit Authority, and the 1985 Amendments to the Fair Labor Standards Act (FLSA), through which the minimum wage and overtime provisions of the Act, as amended, are applied to all state and local government employers. Further regulatory and interpretive efforts in the implementation of the Amendments will be required. Moreover, many interpretive issues are expected to arise concerning the Service Contract Act (SCA) regulations implemented in 1984. These regulations provide new procedures for appeal of wage determinations and rulings. The resolution of novel legal issues through opinion work and litigation relating to the Migrant and Seasonal Farmworker Protection Act (MSPA) will continue.

The Office of the Solicitor's (SOL) primary objective in the Black Lung area will be to protect the integrity of the Black Lung Disability Trust Fund. The 1984 Amendments to the Longshore and Harbor Workers' Compensation Act (LHWCA), which increased the size of the Benefits Review Board (BRB), will result in an increase in the number of BRB decisions issued under both the Black Lung Act and the Longshore Act, and ultimately in the number of cases appealed to the courts of appeal in FY 1987.

SOL will continue to participate in the most significant appeals filed with the BRB and the courts of appeals under the LHWCA. SOL will also file pleadings in the most significant appeals pending before the Employees' Compensation Appeals Board (ECAB).

The FY 1987 request includes an increase of ten positions for the Black Lung legal program and 30 positions for the Longshore legal program. The additional positions for Black Lung will enable SOL to adequately protect the assets of the Black Lung Disability Trust Fund and are requested to handle increased adjudication output as part of the Secretary's proposal to reduce the backlog of Black Lung cases.

The 30 Longshore positions include 20 attorney and ten clerical positions. As a result of the 1984 Amendments to the Longshore Act, OWCP issued new procedures concerning the handling of cases arising under section 8(f) of the Act. The new procedures require that OWCP district offices notify SOL of each case which involves section 8(f) and request SOL representation at the ALJ hearings. Present resource levels permit SOL to attend only a small number of hearings held in these cases. The additional positions will permit necessary SOL involvement in 700 ALJ cases, 300 BRB appeals and 4,790 disposition/decision reviews.

During FY 1987, SOL will continue to be involved in the Harris Bank case. Although a decision is expected late in FY 1986, possible exceptions to any decision would continue through FY 1987. SOL will assist OFCCP with the promulgation of the final rule covering nondiscrimination and affirmative action obligations of Government contractors.

Litigation regarding the Comprehensive Employment and Training Act (CETA) final audits will continue through FY 1987. In addition, the initial JTPA audits will produce litigation which will entail time-consuming cases of first impression. Workload in the labor certification area will continue at FY 1986 levels through FY 1987, subject to the potential expansion of the temporary program to additional states.

During FY 1987, SOL will continue defending the Department's actions in major occupational safety and health standards cases. SOL will also be substantially involved in both FY 1986 and FY 1987 with the promulgation of revised "fully effective" benchmarks for occupational safety and health state plans and related rulemaking activity. Complex warrant and health issues are expected to remain as the most frequent briefing subjects before the appellate courts. SOL will also continue to press for favorable rulings in the various courts of appeals on the validity under the Fourth Amendment and the Administrative Procedure Act of the Department's plan for scheduling OSHA inspections.

In FY 1986 and FY 1987, there will be a shift in emphasis from preparing Mine Safety and Health Act (MSHA) collection cases for filing to case monitoring and actual asset identification and attachment for satisfaction of judgments. Litigation will continue over the definition of a "significant and substantial" violation, especially in the area of long-term health exposures. Major appellate cases involving judicial review of regulations promulgated by MSHA are likely to be litigated in FY 1987. In addition, recent Commission and Federal court decisions limiting MSHA jurisdiction over crushing and loading facilities may well produce more appellate litigation through FY 1987.

SOL will continue to provide guidance and assistance to the Pension and Welfare Benefits Administration (PWBA) in their efforts to reduce unnecessary regulatory burdens under the Employee Retirement Income Security Act (ERISA). It is expected that the reorganization of the PWBA, including the initiation of a special investigation unit, will result in an increase in the number of significant cases received by SOL for litigation. SOL's Special Litigation Division (SLD)

will continue to provide legal support in connection with the Teamsters' Central States, Southeast and Southwest Areas Pension and Health and Welfare Funds.

In FY 1987, SOL will continue to provide advice in connection with supervision of union elections; legal interpretations and opinions; and legal assistance in the preparation of regulations and guidelines under both the Labor Management Reporting and Disclosure Act (LMRDA) and the Civil Service Reform Act (CSRA).

FY 1986

In accordance with P.L. 99-177, Balanced Budget Emergency Deficit Control Act of 1985, the 1986 budget request reflects a reduction of $1,909,000 and 10 FTE positions. SOL will be able to provide legal services for the Department although some increases in backlogs may result from this reduction.

During FY 1986 substantial resources will be devoted to the development of statutorily mandated regulations, and related opinions, to guide the implementation of the 1985 Amendments to the FLSA. These Amendments, which significantly change the application of the Act to state and local government employers, were enacted when the full effects of the Supreme Court's decision in Garcia v. San Antonio Metropolitan Transit Authority were recognized. Implementation of a program to enforce the provisions of the Act, as amended, with respect to newly covered employers will also be a significant priority. Trial litigation under MSPA is projected to further increase in FY 1986 and appellate litigation under MSPA may get underway.

SOL will continue to defend OWCP policies and positions so that an ineligible claimant will not be awarded benefits payable out of the Black Lung Disability Trust Fund. OWCP expects to promulgate final revised regulations governing the FECA program and SOL will provide legal assistance. In the Longshore area, decentralization of the responsibility for participation in ALJ hearings will be expanded to additional selected regional offices.

In FY 1986, the trial in OFCCP v. Harris Bank will be ongoing with a decision expected later in the year. Work will also continue on the OFCCP regulations covering non discrimination and affirmative action obigations of Government contractors. Although CETA has been repealed, cases concerning alleged discrimination against participants under the Act will continue to be adjudicated.

Interpretations in the area of JTPA programs are expected to increase as the Governors' interpretations are questioned and reviewed. Litigation on the CETA close-out audits will continue through FY 1986. The temporary labor certification program will continue to produce litigation and the workload could increase if the program is expanded to additional states.

During FY 1986, SOL will likely defend the Department's actions in at least eight major occupational safety and health standards cases: ethylene oxide, formaldehyde, field sanitation, ethylene dibromide, benzene, asbestos, cotton dust and access to medical records. In addition, considerable time will be devoted to implementation of the new discrimination provisions of section 405 of the Surface Transportation Assistance Act. Legal review and assistance in OSHA's increasing rulemaking efforts will continue throughout the year.

In FY 1986, a primary litigation goal for SOL will be to defend and prosecute MSHA enforcement actions. The administrative trials of alleged violations

involved in the December 1984 fire at Emery Mining Corporation's Wilberg Mine are expected to take place in FY 1986. The many MSHA rulemaking projects begun in previous years with publication of preproposal drafts will ensure a continuing high level of activity in FY 1986 as comments are analyzed and proposed and final rules are drafted.

In support of the ERISA, SOL will devote major efforts to the adoption of a final regulation defining what are plan assets as a result of plan investments in certain entities; the adoption of a final regulation providing an alternative method of compliance with ERISA's reporting and disclosure requirements pursuant to the plan asset regulation; and the adoption of a final class exemption to replace class exemption 79-1 and 84-46. The issues presented in litigation will continue to increase in complexity and significance and the number of such cases is expected to increase as the PWBA reorganization is completed.

The Special Litigation Division will continue litigation in the Teamsters' Central States, Southeast and Southwest Areas Pension and Health and Welfare Funds, as well as be responsible for any litigation arising from the Department's investigation of funds associated with the Hotel and Restaurant Employees International Union. If the current appeal in the principal Teamsters' Pension Fund case, Brock v. Fitzsimmons, is ultimately successful, it is anticipated that the remaining discovery and trial will extend throughout FY 1986 and possibly FY 1987.

FY 1985

There were two significant Supreme Court decisions under the Fair Labor Standards Act (FLSA) in FY 1985. In Garcia v. San Antonio Metropolitan Transit Authority, the court overruled its 1976 decision in the National League of Cities case and held that the FLSA can constitutionally be applied to all state and local government employers. The Supreme Court held in Donovan v. Tony and Susan Alamo Foundation that the FLSA can constitutionally be applied to the commercial operations of religious organizations. The substantial review of the regulations under the Service Contract Act was upheld by the Court of Appeals during FY 1985.

In FY 1985, SOL continued the transition of enforcement from the Farm Labor Contractor Registration Act (FLCRA) penalty enforcement to the Migrant and Seasonal Agricultural Workers Protection Act (MSPA) certification and penalty enforcement actions, court litigation and interpretive opinion requests. In addition, SOL assisted the Department of Justice in defending the Secretary in connection with his alleged non-enforcement of the law as to forestry workers.

Legal support was provided in four major legislative areas of workers' compensation programs: Longshore and Harbor Workers Compensation Act (LHWCA); Black Lung Benefits Act (BLBA); Federal Employees' Compensation Act (FECA); and FECA Third Party Subrogation. The most significant accomplishment in the Longshore and Harbor Worker program during FY 1985 was the promulgation of interim final regulations implementing the 1984 Amendments to the LHWCA. SOL expects to assist the OWCP to ensure that the comments received on the interim regulations are fully analyzed and that final regulations are promulgated. The FECA subrogation activity resulted in the closing of 800 third party cases in FY 1985. This resulted in a refund of $2,100,000 to the Employees' Compensation Fund and a credit against future liabilities of approximately $3,900,000.

DM-28

During FY 1985, two Office of Federal Contract Compliance Programs (OFFCP) enforcement cases were resolved through negotiated settlements. In the first case, against Arizona Public Service, the company had originally refused to submit an affirmative action program (AAP), but a copy of the AAP was ultimately obtained. The second case, against Tesora Petroleum Corporation, resulted in the company agreeing to revise certain personnel practices and to undertake additional equal employment opportunity efforts.

Under Section 503 of the Rehabilitation Act, SOL filed a legal action and, simultaneously, a Consent Decree in a major enforcement case, OFCCP v. Missouri Pacific Railroad. The Decree obligates the company to pay a total of $500,000 in back pay and pension contributions to 38 men, and it requires the company to stop using preemployment physical standards which screen out qualified handicapped individuals.

In FY 1985, SOL assisted the Employment and Training Administration in improving and implementing the selection process for migrant as well as Indian and other Native American grantees. Assistance was also provided in developing grant and closeout procedures and debt collection procedures to generally improve those processes and to permit the handling of the large volume of closeouts resulting from the expiration of the CETA. A significant reduction in CETA participant cases in FY 1985 was balanced by an increase in the usually more complex audit cases. Appellate decisions were generally quite favorable, but the Department received a potentially serious setback in Brock v. Pierce County when the Ninth Circuit Court of Appeals held that CETA Grant Officer decisions must be issued within 120 days of receipt of final audit reports. This question is now pending in the Supreme Court and should be decided by July 1986.

In the area of occupational safety and health, SOL continued to provide advice to OSHA on a variety of legal issues relating to the administration of section 18 of the Act (state plans provision). During FY 1985, SOL was involved in the development of revised staffing benchmarks for 12 of the 23 states' operating plans and the completion of final approval proceedings for eight state plans. SOL represented DOL in the United States courts of appeals in a large number of complex and important cases defending OSHA's standards activities and enforcement actions. SOL has been defending the standard which regulates employee exposure to ethylene oxide and is also defending against a mandamus action seeking to compel OSHA to begin rulemaking on a revised benzene standard.

In FY 1985, SOL provided on site legal assistance to MSHA during the rescue and recovery efforts following the December, 1984 fire at the Emery Mining Corporation's Wilberg Mine in which 27 people were killed. SOL also assisted the U.S. Attorney's Office in defending a media lawsuit to obtain access to the questioning sessions. Civil penalty litigation arising out of the December 1981 disasters at the Adkins No. 1 Mine and the Grundy Mine were settled during FY 1985. SOL also received a favorable decision as the Commission ruled for the first time that the Mine Act's antidiscrimination provisions protect a miner's right to refuse work when he or she reasonably, and in good faith, believes that a fellow miner will be endangered. In FY 1985 final standards were published for fire prevention in metal/nonmetal mines.

During FY 1985, SOL was involved in a wide range of complex litigation cases involving significant issues of liability as well as appropriate remedies for fiduciary breaches under ERISA. These include Donovan v. Pennington (consent order to repay $600,000 for a variety of ERISA violations); Donovan v. Glover (two suits alleging imprudent investments in excess of $23 million, by three employee benefit funds); and Donovan v. Cody(I) (appellate court affirmed

district court judgment requiring restitution of $2.5 million and appointment of an independent investment manager).

During FY 1985, the Special Litigation staff devoted considerable effort to the principal Teamsters' Pension Fund case, Brock v. Fitzsimmons. The district court determined to accept the plaintiff's settlement and dismissed the Secretary's claims in this case. The Secretary then appealed the district court's decision to the United States Court of Appeals for the Seventh Circuit. In the Teamsters' Health and Welfare Fund cases, Brock v. Dorfman and Brock v. Robbins, the court appointed a receiver for Dorfman and the Dorfman related Insurance Agencies in FY 1983 with full authority to secure their assets and to ensure the orderly processing of health insurance claims. Pursuant to a partial settlement in Dorfman/Robbins in FY 1985, more than $6,400,000 of the money then in registry of the court for the purchase of assets from the Dorfman companies was returned to the Health and Welfare Fund. Along with the $1,800,000 previously recovered, this brought the Secretary's total recovery for the Health and Welfare Fund from those two cases to more than $8,200,000 and the total recovery for both funds in the Department's Central States litigation to more than $17,500,000.

In FY 1985 in the Southern Nevada Culinary and Bartender Pension Trust cases; appellate briefings on the appeal and cross-appeal of the 1984 judgment were completed. As a result of the multi-million dollar judgments against him, Shenker and one of his companies filed voluntary bankruptcy proceedings. Due to SOL's activity in the bankruptcies, during FY 1986 the Pension Trust will obtain approximately $9 million additional, bringing the Secretary's involvement in these matters to a close, with the restoration of approximately $26 million to the Pension Trust.

In FY 1985, SOL was very successful in achieving the Labor Department's goals in the Supreme Court. The Supreme Court accepted the Department's position in three of the four cases in which the Department participated. Similarly, in agreement with the Department's views, the Court denied or granted review in every case in which the Department expressed a view during FY 1985.

The Office of the Solicitor provided extensive litigation support to the Justice Department in FY 1985 in defending actions filed under the Federal Tort Claims Act (FTCA). Of particular significance has been the formulation of successful legal arguments to the effect that the Supreme Court's decision in United States v. S. A. Empress de Viacaro Area Rio Grandense (Varig Airlines), precludes liability from being assessed against the United States based on alleged negligent regulatory enforcement.

SOL also continued its efforts to respond in a timely manner to the FTCA claims filed with the Department involving asbestos related diseases. In the first eight months of FY 1985, SOL analyzed and sent out developmental letters requesting necessary additional information in approximately 4,800 of the 5,500 claims filed, and responded, either in writing or orally, to approximately 655 requests from the Justice Department for litigation reports, discovery or other supportive responses.

DM-30

Changes for 1987

Activity Changes:
Built-in:

Personnel Costs including net cost of within-grade promotions effective in 1986, and increased costs of personnel benefits	+$ 445,000
Nonpersonnel costs including increased cost of travel, transportation of things, space rental, communication, rent and other utilities, printing, miscellaneous contracts, administrative support service, supplies and equipment	+$ 523,000
Subtotal	+$ 968,000
Net Program	+$2,650,000
FTE	+35

Legal Services

Proposal: To provide an increase in funding of $1,909,000.

Rationale: This increase will provide funding for the Office of the Solicitor for increased staff and contract support.

Program Effects: The increase will allow SOL to reduce case backlogs and support litigation in connection with the Teamsters Central States, Southeast and Southwest areas Pension and Health and Welfare funds.

Base:
FTE: 792 Estimate: $ 43,436,000

Program Increase:
FTE: +10 Estimate: $ 1,909,000

Proposal: To provide $1,108,000 additional funds for the rental of office space.

Rationale: This increase will cover SOL's share of space charges as estimated by GSA.

Program Effects: These additional funds will avoid reductions in other areas, i.e., personnel, travel, contract, etc.

Base:
FTE: 792 Estimate: $ 43,436,000

Program Increase:
FTE: +10 Estimate: $ 1,108,000

Proposal: To provide $396,000 additional staff for the litigation of Black Lung cases.

Rationale: This increase will permit SOL to adequately protect the assets of the Black Lung Disability Trust Fund and are requested to handle increased Adjudication output.

Program Effect: This increase will enable SOL to avoid backlogs in the litigation of Black Lung cases.

Base:			
FTE:	792	Estimate:	$ 43,436,000
Program Increase:			
FTE:	+10	Estimate:	$ 396,000

Proposal: To provide $956,000 for additional staff to handle Longshore workload.

Rationale: The additional resources will permit SOL representation at an increasing number of Longshore hearings.

Program Effects: This increase will enable SOL to avoid backlogs in the litigation of Longshore cases.

Base:			
FTE:	792	Estimate:	$ 43,436,000
Program Increase:			
FTE:	+30	Estimate:	$ 956,000

Proposal: To provide for a $329,000 reduction in administrative support services, i.e., Working Capital Fund (WCF).

Rational: This reduction is necessary as a result of WCF workload changes.

Program Effects: None.

Base:			
FTE	--	Estimate:	$ 43,436,000
Program Decrease:			
FTE:	—	Estimate:	$ -329,000

Proposal: To provide for a reduction of $417,000 for savings achieved through productivity improvements.

Rationale: This reduction is taken as a part of the President's program to achieve productivity increases throughout the Federal government.

Program Effect: this reduction is expected to result in increased program efficiencies.

Base:			
FTE:	792	Estimate:	$ 43,436,000
Program Decrease:			
FTE:	-15	Estimate:	$ -417,000

DM-32

Proposal: To provide for a decrease of $973,000 in personnel compensation and benefits.

Rationale: This decrease reflects a change in the average cost per FTE in 1987.

Program Effects: None

Base:			
FTE:	792	Estimate:	$ 43,436,000
Program Decrease:			
FTE:	--	Estimate:	$ -973,000

DM-33

LEGAL SERVICES WORKLOAD ACCOMPLISHMENTS

EMPLOYMENT STANDARDS ADMINISTRATION
WAGE-HOUR/OFCCP

	FY 1985	FY 1986	FY 1987
LITIGATION			
PENDING	7,632	7,235	6,735
RECEIVED	3,665	3,508	3,697
CONCLUDED	4,062	4,008	4,050
PENDING	7,235	6,735	6,382
OPINIONS			
PENDING	636	780	910
RECEIVED	1,741	1,710	1,700
CONCLUDED	1,597	1,580	1,585
PENDING	780	910	1,025
REGULATIONS/STANDARDS			
RECEIVED	15	14	14
COMPLETED	14	14	14
PROFESSIONAL STAFF	152	147	146
CLERICAL STAFF	49	46	45

BLACK LUNG

	FY 1985	FY 1986	FY 1987
LITIGATION ALJ			
PENDING	20,442	21,795	18,745
NEW CASES RECEIVED	8,424	5,000	5,000
BRIEFS FILED BY SOL	3,850	4,425	4,675
ALJ DECISIONS	7,071	8,050	8,500
PENDING	21,795	18,745	15,245
LITIGATION BRB			
PENDING	5,234	5,736	5,831
NEW APPEALS	2,499	2,975	3,150
BRIEFS FILED BY SOL	1,450	1,543	2,266
BRB DECISIONS	1,997	2,880	3,360
PENDING	5,736	5,831	5,621
LITIGATION CT. OF APPEALS			
PENDING	178	208	246
NEW CASES	160	188	285
BRIEFS FILED BY SOL	80	120	154
COURT DECISIONS	130	150	172
PENDING	208	246	359
PROFESSIONAL STAFF	57	70	79
CLERICAL STAFF	22	27	32

DM-34

LONGSHORE

	FY 1985	FY 1986	FY 1987
LITIGATION ALJ			
PENDING	4,322	3,576	3,576
NEW CASES RECEIVED	3,183	3,400	3,400
BRIEFS FILED BY SOL	100	100	700
ALJ DECISIONS	3,929	3,400	3,900
PENDING	3,576	3,576	3,076
LITIGATION BRB			
PENDING	1,387	1,622	1,447
NEW APPEALS	632	545	625
BRIEFS FILED BY SOL	75	75	300
BRB DECISIONS	397	720	840
PENDING	1,622	1,447	1,232
LITIGATION CT. OF APPEALS			
PENDING	45	61	81
NEW CASES	37	45	50
BRIEFS FILED BY SOL	27	27	84
COURT DECISIONS	21	25	50
PENDING	61	81	56
PROFESSIONAL STAFF	5	5	25
CLERICAL STAFF	0	0	10

FECA

	FY 1985	FY 1986	FY 1987
LITIGATION ECAB			
PENDING	721	640	790
RECEIVED	2,091	2,150	2,150
BRIEFS FILED BY SOL	478	478	478
ECAB DECISIONS	2,172	2,000	2,200
PENDING	640	790	740
SUBROGATION CLAIMS			
PENDING	8,811	9,172	9,532
RECEIVED	1,596	1,600	1,600
CONCLUDED	1,235	1,240	1,240
PENDING	9,172	9,532	9,892
REGULATIONS/STANDARDS			
RECEIVED	0	0	0
COMPLETED	0	0	0
PROFESSIONAL STAFF	16	15	15
CLERICAL STAFF	6	6	6

FTCA

	FY 1985	FY 1986	FY 1987
FTCA CLAIMS			
PENDING	43,119	51,465	59,740
RECEIVED	8,561	8,500	8,500
CONCLUDED	215	225	225
PENDING	51,465	59,740	68,015
PROFESSIONAL STAFF	5	5	5
CLERICAL STAFF	2	2	2

EMPLOYMENT AND TRAINING ADMINISTRATION

	FY 1985	FY 1986	FY 1987
LITIGATION			
PENDING	1,458	1,232	1,074
RECEIVED	911	942	943
CONCLUDED	1,137	1,100	1,135
PENDING	1,232	1,074	882
OPINIONS			
PENDING	64	61	61
RECEIVED	2,017	2,185	2,235
CONCLUDED	2,020	2,185	2,185
PENDING	61	61	111
REGULATIONS/STANDARDS			
RECEIVED	47	25	25
COMPLETED	43	25	25
PROFESSIONAL STAFF	30	28	27
CLERICAL STAFF	11	10	10

DN-36

OCCUPATIONAL SAFETY AND HEALTH ADMINISTRATION

	FY 1985	FY 1986	FY 1987
LITIGATION			
PENDING	1,826	1,993	2,065
RECEIVED	4,736	4,521	4,913
CONCLUDED	4,569	4,449	4,570
PENDING	1,993	2,065	2,408
OPINIONS			
PENDING	69	91	93
RECEIVED	777	799	823
CONCLUDED	755	797	821
PENDING	91	93	95
REGULATIONS/STANDARDS			
RECEIVED	19	18	18
COMPLETED	16	16	17
PROFESSIONAL STAFF	76	73	73
CLERICAL STAFF	24	22	22

MINE SAFETY AND HEALTH ADMINISTRATION

	FY 1985	FY 1986	FY 1987
LITIGATION			
PENDING	10,164	9,314	7,939
RECEIVED	3,484	2,870	2,960
CONCLUDED	4,334	4,245	4,335
PENDING	9,314	7,939	6,564
OPINIONS			
PENDING	82	102	112
RECEIVED	814	830	825
CONCLUDED	794	820	825
PENDING	102	112	112
REGULATIONS/STANDARDS			
RECEIVED	9	7	7
COMPLETED	4	8	10
PROFESSIONAL STAFF	48	45	44
CLERICAL STAFF	18	16	15

PENSION AND WELFARE BENEFITS ADMINISTRATION

	FY 1985	FY 1986	FY 1987
LITIGATION			
PENDING	378	344	507
RECEIVED	2,220	2,270	2,321
CONCLUDED	2,254	2,107	2,092
PENDING	344	507	736
OPINIONS			
PENDING	56	63	77
RECEIVED	530	465	519
CONCLUDED	523	451	458
PENDING	63	77	88
REGULATIONS/STANDARDS			
RECEIVED	15	12	14
CONCLUDED	16	14	14
PROFESSIONAL STAFF	68	66	64
CLERICAL STAFF	18	16	16

MISCELLANEOUS DEPARTMENTAL PROGRAMS

	FY 1985	FY 1986	FY 1987
LITIGATION			
PENDING	905	950	1,006
RECEIVED	1,087	1,085	1,082
CONCLUDED	1,042	1,029	1,040
PENDING	950	1,006	1,048
OPINIONS			
PENDING	1,394	1,594	1,804
RECEIVED	2,638	2,661	2,680
CONCLUDED	2,438	2,451	2,470
PENDING	1,594	1,804	2,014
REGULATIONS/STANDARDS			
RECEIVED	48	41	39
COMPLETED	44	43	40
PROFESSIONAL STAFF	80	78	77
CLERICAL STAFF	19	18	17

DM-38

INTERNATIONAL LABOR AFFAIRS

1985 Comparable		1986 Appropriation		1986 Estimate		1987 Estimate		Increase or Decrease	
FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
82	$4,794,000	70	$4,220,000	67	$4,039,000 1/	69	$4,388,000	+2	+$349,000

1/ Included in 1986 Estimate above:
Sequestered under P.L. 99-177.....-$181,000 and +3 FTE.

Introduction

The purpose of this activity is to fulfill the Department of Labor's (DOL) international responsibilities. DOL's goals in this area are (1) to assure that the needs and interests of American workers are given due consideration in the formulation and implementation of U.S. foreign policy objectives through DOL's policies; (2) to support U.S. foreign policy objectives through DOL's relationships with international organizations (principally the International Labor Organization), foreign governments, U.S. labor unions, and U.S. employer organizations; (3) to assist in promoting U.S. labor, business, and government interests abroad by providing information and analysis of trade unions and labor conditions in other countries; and (4) to enhance the welfare of American workers and improve government labor administration in the U.S. by providing opportunities for DOL Agencies to benefit from the experiences of foreign labor ministries.

1987 Budget Request

The FY 1987 budget request reflects resources (69 FTE) which allow ILAB to continue its current operations. These resources will enable ILAB to participate in the formal launching and early multilateral work on a new round of trade negotiations, to outline analysis of the magnitude, characteristics, and labor market effects of recent immigration flows into the U.S. to increse the relevance and flexibility of ILO labor standards to the conditions in developing countries and to improve the reporting of the labor attaches stationed in the U.S. post overseas.

1986

In accordance with P.L. 99-177, Balanced Budget and Emergency Deficit Control Act of 1985, the 1986 budget request reflects a reduction of $181,000 and 3 FTE. However, the basic mission of this activity will continue to be carried out within available resources. During 1986, ILAB expects to: 1) promote continued ILO attention to the Polish Solidarity case, 2) identify and promote U.S. priorities in ILO regular budget program activities, 3) increase the flow of ILO Fellows to the U.S. for fellowship training, 4) develop policy and undertake analyses of an international issue of migrant worker rights especially with respect to the United Nations General Assembly (UNGA) draft of an international convention on the rights for all migrant workers and their families and 5) develop and coordinate policy of U.S. position concerning the extension, modification, or discontinuance to the multi-fiber arrangement.

1985

During 1985, ILAB:

-- Completed the first annual report to the Congress on the impact of the Caribbean Basin initiative (CBI) on U.S. employment.

-- Worked actively with the Administration to achieve enactment of immigration control legislation.

-- ILAB was active in developing policy to implement the worker rights criteria of the Generalized System of Preferences (GSP).

-- Sustained ILO human rights role in the UN and improved appropriate machinery, with special focus on a more vigorous and constant pursuit of communist bloc violations.

-- Identified and promoted U.S. priorities in ILO program activities.

-- Promoted U.S. priorities in Organization for Economic Cooperation and Development (OECD) policies and programming, and facilitate the exchange of information between OECD and appropriate U.S.

-- Increased attention given by U.S. foreign affairs agencies to the labor factor in foreign policy.

-- Prepared analytical reports with policy recommendations on important international labor matters.

-- Strengthened the labor attache function in the Foreign Service so that it better serves worker interests.

Changes for 1987

Activity Changes:
Built-in:

Personnel Costs including net cost of within-grade promotions effective in 1986 and increased cost of personnel benefits	+$ 36,000
Nonpersonnel costs including increased cost of travel, transportation, space rental, communications, rent and other utilities printing, miscellaneous contract, administrative support services, supplies and equipment	+$ 42,000
Subtotal	+$ 78,000
Net Program	+$271,000
FTE	+2

International Labor Affairs

Proposal: To provide an increase in funding of $181,000.

Rationale: This change will provide increased resources for ILAB to accomplish priority workload.

Program Effects: The additional resources will allow ILAB to better support U.S. efforts in multilateral trade negotiations and to analyze labor market effects of recent immigration flows into the U.S.

Base:
FTE: 70 Estimate: $4,117,000

Program Increase:
FTE: +3 Estimate: +$ 181,000

DM-40

Proposal: To provide an increase of $90,000 for the rental of office space.

Rationale: This increase will cover ILAB's fair share of space charges as estimated by GSA.

Program Effects: These additional funds will avoid reductions in other areas, i.e., personnel, travel, contracts, etc.

Base:
FTE: 70 Estimate: $4,117,000

Program Increase:
FTE: -- Estimate: +$ 90,000

Proposal: To provide for a $27,000 reduction in administrative support services, i.e., Working Capital Fund (WCF).

Rationale: This reduction is necessary as a result of WCF workload changes.

Program Effects: None.

Base:
FTE: 70 Estimate: $4,117,000

Program Decrease:
FTE: -- Estimate: -$27,000

Proposal: To provide for savings achieved through productivity improvements.

Rationale: These reductions are taken as a part of the President's program to achieve productivity increases throughout the Federal government.

Program Effects: This reduction will result in increased efficiencies in program operations.

Base:
FTE: 70 Estimate: $4,117,000

Program Decrease:
FTE: -1 Estimate: -$40,000

Proposal: To provide for an increase of $67,000.

Rationale: This increase reflects a change in the average cost of FTE in 1987.

Program Effects: None.

Base:
FTE: 70 Estimate: $4,117,000

Program Decrease:
FTE: -- Estimate: +$ 67,000

ADMINISTRATION AND MANAGEMENT

DM-41

1985 Comparable		1986 Appropriation		1986 Estimate		1987 Estimate		Increase or Decrease	
FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
316	$24,841,000	242	$22,045,000	208	$21,054,000 1/	226	$24,244,000	18	+$3,190,000

1/ Included in 1986 Estimate above:
Sequestered under P.L. 99-177.....-$946,000 and -23 FTE.
Withdrawal pursuant to P.L. 99-190.....-$ 25,000 and --- FTE.
Comparative transfer to Working Capital Fund, National Capital Service Center.....-$ 0 and -11 FTE.
Comparative transfer to Labor-Management.....-$20,000 and --- FTE.

Introduction

The purpose of this activity is to exercise leadership in all Department of Labor (DOL) administration and management programs and services through formulation of economical and efficient policies, systems, and standards consistent with Federal and Departmental regulations; to ensure efficient and effective operations through development, coordination, and evaluation of administrative and managerial programs. Federal funds are used for all functions of this activity, together with funds from the Black Lung Disability Trust Fund. The funds derived from the Black Lung Disability Trust Fund are used to finance a total of six positions in this activity.

This activity encompasses a broad range of administrative and managerial support services to the Department. The major goals and objectives for the activity are as follows: (1) to provide overall leadership in all DOL administration and management programs and services; (2) to develop financial policy and strengthen internal controls and to develop Departmental budgetary formulation, justification, and execution systems in a manner to ensure technical accuracy and programmatic soundness; (3) to strengthen and improve the leadership of the Department's personnel management program, particularly as required by the Civil Service Reform Act; (4) to provide consistent and constructive internal labor-management relations throughout the Department of Labor; (5) to improve the effective management of the Department by developing and evaluating agency implementation of effective management policies and system and staff utilization; (6) to negotiate and approve indirect cost proposals and cost allocation plans in a timely and effective manner for State agencies, local governments, and other organizations receiving grants and contracts from the Department; (7) to provide leadership and Departmental management for the planning and use of automatic data processing, office automation, and data telecommunications; and (8) to plan, promote and direct a centralized library program for the Department.

1987 Budget Request

At this level, OASAM will continue to carry out the same programs operational in FY 1986 with $24,244,000 and 226 FTE. The goals of Administration and Management in 1987 will be to continue implementation and refinement of the Administration's initiatives for improving the management process and administrative systems of the Department initiated under Reform '88 and in the Grace Commission's recommendations for DOL. The goals of OASAM are outlined by the following activities:

Directorate of Information Resources Management (DIRM)

-- Reduce the costs incurred to operate several existing administrative systems by reducing the frequency of producing output products and by improving the efficiency of some of the key programs.

-- Test the concept of reducing data processing costs by utilizing the Harris minicomputer network in lieu of the host computer center for interactive systems work.

-- Continue maintaining and operating existing administrative systems and, within the limits of available funding, continue to enhance and modernize these systems.

-- Continue the development and implementation of systems to improve the efficiency and effectiveness of National Capital Service Center operations.

-- Continue to emphasize programs and systems designed to meet the productivity improvement goals of the Administration.

-- Provide continuing oversight of A-76 and management efficiency studies conducted by agencies of DOL in accordance with the established review schedule.

-- Continue improving DOL's records management practices.

-- Continue implementation of the Department's Five-Year Strategic ADP/Telecommunications Plan.

-- Continue the GSA-required Triennial IRM Review Program.

-- Continue support of the Department's personnel system using software developed by the Air Force with renegotiated host computer support.

-- Review, revise, and issue non-ADP IRM policy and implementing guidance.

-- Continue development of Departmentwide standards for security, telecommunications, and end-user computing, Local Area Networks (LANs), software, etc.

-- Continue oversight of the acquisition and management of information technology resources.

Directorate of Personnel Management (DPM)

-- Continue to be heavily involved in mid-term bargaining with both major labor unions with which the Department deals, as well as in the management of cases resulting from the filing of grievances, unfair labor practice charges, and arbitrations under the terms of the collective bargaining agreements in the Department.

-- Collective Bargaining Agreements: The first is with Local 12, AFGE, where the current agreement expires in 1986 and negotiations for a new agreement will undoubtedly carry over into 1987. Additionally, the collective bargaining agreement between the Department and the National Council of Field Labor Locals (NCFLL), expires on August 16, 1987; the negotiation of this agreement may carry into FY 1988.

-- Require extensive implementation efforts in FY 1986 and FY 1987 as changes in the performance management and reduction-in-force systems are made as a result of OPM issuing new regulations. Many of these changes may necessitate negotiations with DOL unions.

-- Review and evaluate position management initiatives started in FY 1986 to increase the efficiency of DOL operations. Specifically, DPM will be focusing resources on evaluation of standardization efforts, implementation of the Table of Approved Positions (TAP) concept, use of automation in labor-intensive processes, and a reduction in the number of individual position descriptions.

-- Undertake a major Departmentwide assessment assessment of the personnel function throughout DOL. The purpose of such a review will be to: (1) determine if the personnel management needs of managers, supervisors, and employees are being met; (2) assess the impact of streamlining and standardizing efforts in personnel administration; (3) identify areas where further improvement can be made in providing personnel management advice and assistance to managers and employees; and (4) determine if the DOL automated personnel system is being effectively used by operating and staff personnel offices.

Comptroller

-- Continue to provide policy leadership to Presidentially-directed budget and employment ceiling controls and targets, and other financial management, accounting, and payroll improvements.

-- Continue to coordinate work, assuring that OASAM is fully responsive to initiatives stemming from the recommendations of the Grace Commission, the Cabinet Councils, GAO, and new legislation.

-- Continue to give priority and emphasis to enhanced financial policies, procedures, and systems, specifically cash management, credit management/debt collection, space management, travel management, internal controls and other resource utilization improvements under Reform ´88 and the President´s Management Improvements.

Directorate of Procurement and Grant Management (DPGM)

In FY 1987, DPGM will continue to:

-- Provide ongoing policy and technical assistance support to the procurement community.

-- Emphasize the importance of increasing competitive procurement through policy development and training.

-- Continue moving towards standard administrative requirements for grants and cooperative agreements.

-- Streamline the cost negotiation support given to the procurement offices of the Department consistent with priorities in this area.

-- Implement the training strategy for the contracting and administrative staff of the Department in the procurement area.

- Implement the necessary changes to the classification of procurement jobs to increase our ability to attract qualified staff.

- Identify opportunities for increasing the automation of the procurement function.

- Assess the effectiveness of the Department's procurement system through on-site reviews and analysis of self-certifications. This activity will culminate in the bi-annual certification of the procurement system by the Secretary in the second quarter of FY 1987.

- Analyze the Annual Advance Procurement Plan submissions of the agencies for pre-award planning purposes.

- Continue to provide cost analysis support to the operating procurement offices of the Department.

Library

- The Library will continue to provide a sustained level of high performance in the planning, directing, and promoting of adequate information services and a law library program to support the mission of the Department.

1986

In FY 1986, a reduction of $946,000 was taken for Gramm-Rudman-Hollings. The effects of the Gramm-Rudman-Hollings legislation in FY 1986 will require OASAM to reduce its staff by 23 FTE. This reduction will impact all areas of this activity, personnel, budget and ADP and as indicated by the following statements will result in a loss of timeliness and responsiveness in carrying out the basic functions of this activity.

Directorate of Information Resources Management DIRM

In FY 1986 DIRM will:

- Complete the award of a new host computer contract and will convert operational systems from the existing computer center to the new site.

- Reduce the costs incurred to operate several existing administrative systems by reducing the frequency of producing output products and by improving the efficiency of some of the key programs.

- Test the concept of reducing data processing costs by utilizing the Harris minicomputer network in lieu of the host computer center for interactive systems work.

- Continue maintaining and operating existing administrative systems and, within the limits of available funding, will continue to enhance and modernize these systems.

- Continue the development and implementation of systems to improve the efficiency and effectiveness of NCSC operations.

- Review and revise existing planning and directory systems to enhance DOL strategic and technical planning and inventory maintenance.

- Issue a Departmental Five-Year Strategic ADP/Telecommunications Plan.

- Initiate a program of IRM reviews consistent with guidelines promulgated by GSA.

- Develop a directory of ADP personnel resources to inventory the staff technical skills available within the Department.

- Issue two guidance documents, a planning handbook and an acquisition handbook, to supplement the DLMS-9 policy manual.

- Establish and implement a process for decision-making to assess all agency capital expenditures (over $100,000) on information technology.

- Complete a study of DOL data communications to identify equipment, lines and traffic, and establish a data base to use this information to better manage data communications in the Department.

- Provide guidance to and coordinate implementation of the DOL productivity improvement program in response to the President's initiative established by Executive Order.

- Continue emphasis in controlling the information collection budget and improving records management.

Directorate of Personnel Management

- During FY 1986, DOL will complete implementation of the PERMIS automated personnel system in all of its personnel offices in December 1985. Full implementation of the system, part of the Reform '88 initiative to automated personnel functions, will enhance the efficiency of personnel operations. Automated systems will become operational which will: provide personnel staffs the ability to access the PERMIS data base and produce administrative and management reports overnight; track SF-52's in the personnel offices; identify DOL employees who are entitled to priority consideration; and store training information on DOL employees.

- DPM will implement revised performance regulations for non-PMRS employees and implement new RIF regulations. Extensive implementation efforts will be required in FY 1986 if anticipated changes in the retirement system are made. In addition, DPM will negotiate a new labor agreement with Local 12.

- A major effort will be undertaken to develop the framework and tools for workforce planning departmentwide. A major initiative to assess employee and management training needs and establish or revise training programs to meet these needs will also be undertaken.

- Emphasis on the personnel management evaluation functions will be continued during FY 1986 to ensure that internal controls are being maintained in the new automated Personnel Office environment. Evaluations will also focus on agency head's management of human resources, and on the maintenance of adequate levels of personnel service with reduced staff and revised procedures.

DM-46

Comptroller

In FY 1986, the Office of the Comptroller will:

— Continue to provide leadership to and monitor all Reform '88 and other Administration management initiatives, particularly those related to cash management, debt collections, internal controls and accounting systems. Coordinative work on implementation of recommendations contained in the GAO management report on the Department will be emphasized, particularly relative to improved financial/accounting policies and procedures.

— Provide directions to a concerted effort to upgrade the Department's travel management practices, procedures and systems. In-depth planning and organizing of an accounting system modernization program will be conducted, in accord with OMB directives and GAO standards.

— Continue to provide policy guidance, direction and coordination to the overall budgetary formulation and execution processes within the Department. Particular emphasis will be given to budgetary actions and controls necessary to implement Gramm-Rudman-Hollings reductions and to assure departmental compliance with fiscal and employment constraints.

Directorate of Procurement and Grant Management (DPGM)

— Update the Department of Labor Acquisition Regulations (DOLAR) based on the requirements of new procurement legislation and the Federal Acquisition Regulations (FAR).

— Continue the emphasis on competitive procurement through the activities of the Procurement Review Board (PRB) and increased training to agency administrators.

— Conduct on-site administrative reviews of the Department's contracting offices. This data will be combined with the agencies' self-certification to provide the source information from which the Procurement Executive will certify as to the adequacy of the procurement system to the Secretary in FY 1987.

— Increase the usefulness of the Annual Advance Procurement Plan (AAPP) as a management tool for pre-award planning.

— Design an ongoing procurement training strategy for the contracting and administrative staff of the Department.

— Enhance position skills, define position requirements, and assure classification so that grade levels are sufficient to attract a quality workforce. The fact-finding stage and definition of available alternatives will be completed.

— Standard common administrative grant functions such as audit, closeout, etc.

— Continue to increase the level of automation in the Department's procurement function. The long-term objective of achieving full automation has been established and, within available resources, we will be moving towards this goal.

-- Increase the impact of the cost negotiation and cost analysis support functions to the contracting/grant offices of the Department. The corrective actions outlined by the workgroup organized to respond to an IG report on this subject is the blueprint for the improved management of this activity.

1985 Accomplishments

Directorate of Information Resources Management (DIRM)

In Fiscal Year 1985 DIRM:

-- Completed a reorganization which combined the Directorate of Information Technology and the Directorate of Management Policy in order to streamline both organizations and enhance coordination between the information/management systems.

-- Completed development of an automated interface between the Air Force Personnel System (PERMIS) and the Department's Interactive Payroll System. This interface is unique among federal agencies using the Air Force Personnel System. It is the only interface that allows automatic integration of the personnel data with a payroll system.

-- Implemented the Administrative Procurement and Payment System (APPS). This system integrates the small purchase process with the accounting and voucher payment process.

-- Developed and implemented a series of tracking systems to allow the National Capital Service Center to manage its operations efficiently with reduced manpower.

-- Upgraded the Department's administrative, data telecommunications network to provide connections to the Oak Ridge Computer Facility used to run PERMIS.

-- Developed security guidelines to protect data and equipment distributed throughout the administrative community of the Department.

-- Began the recompetition of the host computer contract that supports ETA, OSHA, OASAM and several smaller Departmental components.

-- Completed the recompetition of an ADP services contract from OASAM and several smaller Departmental components.

-- Accelerated accomplishments in certain Reform '88 and other initiatives under "Reform '85" to achieve, through management improvement actions, savings necessary to meet FY 1986 budget reductions. Designed the reports, promulgated instructions, collected and analyzed data, and prepared quarterly reports on progress for the Secretary and DOL Executive Staff.

-- Provided leadership to a Departmentwide effort to identify in-house commercial activities that could be subjected to efficiency reviews and subsequently to A-76 cost comparisons with the private sector and other government agencies to improve productivity; and conducted studies to improve operational efficiency and effectiveness of selected organizational components.

-- Developed a long-range Departmental ADP strategy.

-- Improved substantially the accuracy of our physical inventories of ADP equipment.

-- Defined for the first time, the existing data telecommunications configuration in the Department.

Directorate of Personnel Management

-- Completed a reorganization which combined the Directorate of Personnel Management and the Office of Labor Management Relations in order to streamline both organizations and enhance coordination between the personnel and labor relations functions.

-- Concluded successful negotiations with the National Council of Field Labor Locals resulting in an improved merit staffing plan for the regions. These changes streamlined procedures and will save the time of both managers and personnel staffs. In addition, the merit staffing plan for nonbargaining unit employees was also revised with similar results. Both were implemented on September 1, 1985.

-- Conducted a number of mid-term negotiations concerning departmental reorganizations, several reduction-in-force actions, and a number of space reductions and office moves.

-- Shared approximately 225 different matters with the unions, a great number of which were subject to negotiation on substance or on adverse effect, procedures and/or implementation.

-- Handled 110 third step grievances, 90 invocations of arbitration, and 50 unfair labor practice charges which had been filed by the unions.

-- Continued its resources sharing efforts in executive development with the Departments of Health and Human Services, Treasury, Army, and Interior. A greater number of forums for executives were offered during this period, and both the average participation and participant evaluations of program quality were raised. In addition, the average cost per executive per session was significantly reduced.

-- Continued to emphasize workforce analysis and planning. Agency-specific workforce profiles were prepared, including 3-5-10-year retirement projections. DPM continued to encourage filling the DOL career pipeline by using a variety of means to recruit high quality talent. In order to assist supervisors in this regard, a document entitled, "Supervisor's Quick Reference to Hiring Students, Faculty, and Temporaries" was published.

-- Implemented a centralized automated Affirmative Action Planning System to eliminate most of the excessive paperwork in the affirmative action process.

-- Completed the implementation of the Office of Personnel Management position classification standards in occupations that cover over 4,500 DOL employees.

-- Strengthened several personnel administration programs to improve internal controls and improved service to employees. DPM issued

additional guidance and instructions to personnel offices on unemployment insurance and separation/retirement processing, including checklists and fact sheets for employees. DPM also worked with the Office of Accounting and the personnel offices to improve procedures, processing time, and personnel/payroll office communications.

-- Improved the technical expertise of the Department's personnel staffs, a total of 154 personnel staff members from throughout the Department attended a series of training courses provided by DPM's Personnel Training Center. These courses included subjects such as Position Classification/Position Management, PERMIS, Labor Management Relations, Grade and Pay Retention, Pay Setting, and Employee Relations and Discipline.

Comptroller

-- Established policies and controls to assure that the Department complied with the Presidentially-directed budget and employment ceilings, financial management improvements, and with legislative requirements contained in the Prompt Payment Act, the Debt Collection Act, and the Federal Managers' Financial Integrity Act. Provided leadership to OASAM on initiatives emanating from the Cabinet Councils and Integrity and Efficiency and on Management and Administration. Monitored implementation of Grace Commission recommendations. Provided staff support to the GAO Management Review.

-- Continued priority and emphasis were placed on financial policies, procedures, and systems, particularly in the managerial areas of cash management, credit/debt collection, space, travel, internal controls, and other resource utilization improvements encompassed by Reform '88 and the President's Management Initiatives. Corrective actions on the weaknesses previously identified were initiated, and a limited review completed of accounting systems.

-- Implemented Departmentwide and nationwide, the Payroll Maintenance System and completed extensive work on the interface of the payroll system with the new Personnel Management Information System (PERMIS). Planning was undertaken for other improvements in the payroll system, and for the travel authorization, travel advance and travel voucher payment system.

Directorate of Procurement and Grant Management (DPGM)

-- Increased control over the Department's noncompetitive procurements through operation of the Procurement Review Board (PRB), and provided training to SESs and DOL operations officers on the Competition in Contracting Act.

-- Implemented an automated small purchase system throughout the Department.

-- Conducted on-site administrative reviews of the Department's contracting offices. Special emphasis continued to be placed on the Regional Offices of the Job Corps where over 70% of our contract actions take place.

-- Took initial steps to design a training strategy to increase the competency of the Department's procurement staff.

— Standardized Letter of Credit (LOC) instructions for the Department.

— Took initial steps to restructure indirect cost policy to increase coordination and better manage workload.

— Implemented the Single Audit Act regulations of 1984 and finalized consolidation of other audit policy.

— Increased the use of the Annual Advance Procurement Plan (AAPP) as a management tool for pre-award planning.

— Negotiated indirect cost rates for over 400 organizations.

— Closed out over 350 contracts and grants in support of the National Capital Service Center (NCSC).

Library

— While reducing administrative costs, the Library continued to support the research and informational needs of the Department. The Library has utilized on-line data search technology to increase staff efficiency at reduced staffing levels.

Changes for 1987

Activity Changes:

Built-in:

Personnel costs including net cost of within-in grade promotions effective in 1986, and increased cost of personnel benefits	+$219,000
Nonpersonnel costs including increased cost of travel, transportation, space rental, communications, rent and other utilities, printing, miscellaneous contracts, administrative support services, supplies and equipment	+$230,000
Subtotal	+$449,000
Net Program	+$2,741,000
FTE	+18

Administration and Management

Proposal: To provide a funding increase of $946,000.

Rationale: This increase will provide resources for OASAM to carry out workload more rapidly and effectively.

Program Effects: The additional resources will allow increased timeliness and responsiveness in basic support functions such as financial management, productivity initiatives and ADP support.

Base
FTE: 236 Estimate: $21,525,000

Program Increase
FTE: +23 Estimate: +$946,000

Proposal: To provide $538,000 in additional funds for the rental of office space.

Rationale: This increase will cover OASAM's share of space charges as estimated by GSA.

Program Effects: These additional resources will avoid reductions in other areas, i.e., personnel, travel, contracts, etc.

Base
FTE: 236 Estimate: $21,525,000

Program Increase
FTE: -- Estimate: +$538,000

DM-52

Proposal: To provide $900,000 in additional funds for ADP services.

Rationale: The increased funds will be utilized for the costs of increased computer time, as well as for personnel system processing.

Program Effects: The additional resources will enable the Department to pay estimated charges on its current computer contract.

Base
FTE: 236 Estimate: $21,525,000

Program Increase
FTE: -- Estimate: +$900,000

Proposal: To provide $25,000 in additional funds for advisory and assistance services.

Rationale: This increase is necessary in order to maintain an adequate level of office skills and management development training for departmental personnel.

Program Effects: Training programs for departmental employees will continue.

Base
FTE: 236 Estimate: $21,525,000

Program Increase
FTE: -- Estimate: +$25,000

Proposal: To provide for a reduction of $160,000 in administrative support services, i.e,. Working Capital Fund (WCF).

Rationale: This reduction is necessary as a result of WCF workload changes.

Program Effects: None

Base
FTE: 236 Estimate: $21,525,000

Program Decrease
FTE: -- Estimate: -$160,000

Proposal: To provide for savings achieved through productivity improvements.

Rationale: This reduction is taken as a part of the President's program to achieve productivity increases throughout the Federal government.

Program Effects: This reduction is expected to result in increased program efficiencies.

59-364 O - 86 - 27

Base
FTE: 236 Estimate: $21,525,000

Program Decrease
FTE: -5 Estimate: -$150,000

Proposal: To provide for an increase in funding of $642,000.

Rationale: This increase reflects a change in the average cost per FTE in 1987.

Program Effects: None.

Base
FTE: 236 Estimate: $21,525,000

Program Increase
FTE: -- Estimate: +$642,000

DM-54

Departmental Management
Administration and Management
Fiscal Year 1987
Workload Measures

	1985 Comparable	1986 Revised Estimate	1987 Estimate
Directorate of Procurement & Grant Management			
Cost Determination			
DOL Agreements Negotiated	400	400	400
Other Agreements Negotiated	215	75	75
Contracts Closed Out and Out for Contracts of Release	360	120	120
Pre-Award Survey and Initial Pricing Reviews.	9	25	25
Procurement and Grant Policy			
Procurement Reviews Conducted	10	10	10
Annual Advance Procurement Plans Reviewed	8	8	8
Sole Source and Consulting Actions Analyzed	150	150	175
DIRECTORATE OF PERSONNEL			
DPM Issuances			
--Includes DLS and PMS issuances, workforce planning, other analytical reports, & documents to unions but not regular correspondence	441	914	914
Cases/Appeals Reviewed			
--Includes adverse actions, arbitrations unfair labor practice charges, classification appeals, major organizational reviews, grievances, suitability & investigative reviews, whistleblower complaints, & qualification determinations by Policy and Standards and Office of Executive Personnel Management	1,656	1,474	1,474
--SES, Supergrade, consultant & Schedule C qual. doc. reviewed	--	602	602
Personnel Management Evaluations			
--Includes regular, regulatory, merit staffing reviews, and special evaluations	20	16	17
Training Courses Provided			
--Courses	332	228	237
--Participants (Includes OSCD training, ACT, OS, PTC and OEPM Seminars)	4,394	3,869	3,869

Departmental Management
Administration and Management
1987 Request
Workload Measures

	1985 Comparable	1986 Revised Estimate	1987 Estimate
AAP Reviews			
--Includes approval of plans & reviewing recruiting reports	113	98	98
Technical Inquiries	29,080	11,300	11,300
Applicant Inquiries	19,600	250	250
Computer MIS data requests filed	--	1,000	1,000
Directorate of Information Resources Management (DIRM)			
Office of ADP Operations			
Systems in production	56	56	56
Requests for minor modification/ maintenance of current systems	1,195	1,147	1,195
Request for major modification of current systems	100	100	100
Requests for new systems development	16	16	16
Procurement requests	350	350	350
Contracts/purchase orders	250	250	250
Invoices	2,000	2,000	2,000
Office of Information Management and Productivity			
Management Policy Issues	10	9	9
Management Analysis Studies	3	3	3
A-76 Reviews Conducted	2	2	2
Productivity Measurement Studies	1	1	1
Public Use Reports Analyzed	175	175	175
Policy Directives Issued	45	43	45
Office of IRM Policy and Evaluation			
GSA delegations (APRs/ATRs) requested	19	20	20
Procurement requests analyzed for regulatory compliance	350	173	180
Planning & budget documents analyzed	98	100	100
Legislation/regulations/policy directives analyzed (external sources)	30	30	36
Reports required by external sources (OMB, GSA, etc.) prepared	10	10	10
DOL policy documents issued or revised	3	3	6
DOL procedural guidance/standards issued or revised	2	3	8

DM-56

Departmental Management
Administration and Management
1987 Request
Workload Measures

	1985 Comparable	1986 Revised Estimate	1987 Estimate
DOL directories (i.e., inventories) issued, verified, or revised.....	4	5	5
IRM reviews conducted.....	0	3	4
Automated directory/planning systems developed or revised.....	1	1	4

ADJUDICATION

DM-57

1985 Comparable		1986 Appropriation		1986 Estimate		1987 Estimate		Increase or Decrease	
FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
443	$21,923,000	502	$26,370,000	476	$25,236,000 1/	513	$27,230,000	37	+$1,994,000

1/ Included in 1986 Estimate above:
Sequestered under P.L. 99-177.....$-1,134,000 and -26 FTE.

Introduction

The Adjudication Activity consists of four components: (1) the Office of Administrative Law Judges (OALJ), (2) the Benefits Review Board (BRB), (3) the Employees' Compensation Appeals Board (ECAB), and (4) the Wage Appeals Board. These organizations derive funds from general and trust fund accounts to maintain operations.

The Administrative Law Judges preside over formal hearings, conducted primarily under the Administrative Procedures Act, to determine violations of the minimum wage requirements; overtime payments; health and safety regulations set forth under the Walsh-Healey Public Contract Act, the McNamara-O'Hara Service Contract Act, the Contract Work Hours Standards Act, the Farm Labor Contractor Registration Act of 1963, the Comprehensive Employment and Training Act, the Job Training Partnership Act, the Migrant and Seasonal Worker's Protection Act and Executive Order 11246. Formal hearings are also conducted to determine the validity of claims filed under the District of Columbia Workmen's Compensation Act, the Non-Appropriated Funds Instrumentalities Act, and the Davis-Bacon Act. Hearings are conducted and decisions issued on claims filed under the Longshoremen's and Harbor Workers' Compensation Act and under the Black Lung Benefits Reform Act of 1977, as subsequently amended. Designated judges having the requisite qualifications also serve as members of the Department of Labor (DOL) Board of Contract Appeals and the National Review Panel, the latter being the highest appellate level for hearings and appeals required by the Talmadge Amendments to the Social Security Act. Additionally, hearings are conducted and decisions rendered under the Federal Mine Safety and Health Act of 1977 (MSHA) and under statutes regarding the certification of aliens in both agricultural and non-agricultural employment. Including those enumerated above, the Office of Administrative Law Judges has jurisdiction in more than 65 separate case areas.

The Benefits Review Board reviews and determines appeals raising substantial questions of law or fact taken by any party in interest from decisions of the Administrative Law Judges regarding claims filed for compensation by employees pursuant to provisions of the Longshoremen's and Harbor Workers' Compensation Act and the Black Lung Benefits Reform Act of 1977. The Board exercises the same judicial appellate review authority formerly exercised by the United States District Courts. Appeals received by the Board are docketed, reviewed by paralegal staff and acknowledged. Once all requisite responses and supporting documents are received a recommended decision is prepared and then reviewed by the Board members. When necessary, oral argument is granted and scheduled on a regional basis.

The Employees' Compensation Appeals Board is charged by statute (5 U.S.C. 8149) and regulation (20 CFR 501 et seq.) with hearing and deciding all appeals taken under the Federal Employees' Compensation Act from final decisions of the Office of Workers' Compensation Programs in the Employment Standards Administration (ESA). Any person adversely affected by a decision of the Office

has a right to secure a review by the Board of questions of law, fact, or discretion covered by such decision. The decisions of the Board are final and are not subject to judicial review. The Board establishes precedents which are binding on the Office in the administration of the act.

The Wage Appeals Board is an independent Board pursuant to Secretary of Labor's Orders Nos. 24-70 (36 F.R. 306) and 13-71 (36 F.R. 8755). The three members of the Board are DOL employees authorized to act as the Secretary's representative in providing an avenue of appeal from final decisions by the Deputy Under Secretary for Employment Standards bearing on various wage and enforcement acts. The review of cases by the Board is discretionary and offers effective, independent review to parties adversely affected by final decisions from the Administrator, Wage Hour Division (ESA). If the Board can provide the necessary review to the satisfaction of the appellants, the contracting agencies, and the Department of Labor, the need for judicial review of these decisions is lessened and the procurement processes continue with a minimum of interference.

1987 Budget Request

Resources requested for 1987 include increased funding to maintain authorized staffing levels so that all programs in this activity can achieve disposition rates comparable to 1986 appropriated levels; an increase of 12 support staff for the Benefits Review Board; an increase of $10,000 to provide sufficient funding for ECAB printing needs; an increase of $9,000 for equipment upgrades for the Employees Compensation Appeals Board; and additional funding for SLUC charges. Also requested is a decrease of one position from ECAB related to productivity improvements; reduced funding for decreased personnel compensation costs; and a reduction for decreased Working Capital Fund costs.

At this level, the Office of Administrative Law Judges will be able to dispose of 8,500 Black Lung Cases, the level initially projected to be reached beginning in 1986 in the Secretary's plan to reduce the large backlogs in this program. This disposition level will result in a reduction of 3,500 backlogged cases over 1986. In addition, Longshore/DCWC output will return to FY 1986 appropriated levels, thus reducing backlogs in the DCWC program.

However, backlogs will be substantial in WIN/Immigration, Wage Hour, Board of Contract Appeals and other programs. Additionally, although the total number of cases for the CETA program could cease entirely by the end of 1987, the mix of cases will change to predominately audit cases, which are more complex and take longer to adjudicate than participant complaints.

For the Benefits Review Board, the requested resources will enable the Board to maintain its original plan of issuing 4,200 dispositions with a nine member Board. The additional 12 paralegal, docket and clerical staff, also a part of the Secretary's plan to reduce backlogs in the Black Lung program, will prevent the Board from falling behind in processing an increased number of new appeals expected as a result of increased OALJ Black Lung dispositions. Without the increase, resources would have to be redirected from work on outgoing dispositions and overall production could be expected to decline to 3,600 dispositions (2,880 Black Lung and 720 Longshore). This would result in a further increase in Black Lung backlogs at the Board.

At the requested level, the Employees' Compensation Appeals Board will be able to maintain an acceptable level of productivity with a slight reduction in case backlog. The program increase for upgrading word processing equipment will maximize to the fullest the Board's reduced personnel resources and allow it to maintain its level of productivity. In addition, the requested printing funds for the publication of the annual Volume & Digest will ensure compliance with 20 C.F.R. section 501.8(b) "....to publish its decisions in a form as to be readily available for inspection."

The Wage Appeals Board anticipates an intake of 36 new petitions in 1987, a slight increase over the 1986 level. The Board expects to resolve 36 cases with no increases in backlog.

1986

In accordance with P.L. 99-177, $1,134,000 has been sequestered from this activity with a resulting reduction of 26 FTE.

The Office of Administrative Law Judges staffing authorization was increased by 60 in the FY 1986 appropriation. However, final approval of this increase was not received until after the beginning of the fiscal year. The total gain in disposition levels will not be realized during FY 1986, due to this lapse time as well as reduced staffing levels due to the effects of P.L. 99-177. However, Black Lung dispositions are projected to increase by almost 14%.

The OALJ expects to maintain a Longshore disposition rate that is approximately equal to the intake rate. It is also projected that D.C. Workers' Compensation case backlogs will continue at the 1985 level.

The Benefits Review Board expects to dispose of 3,600 cases in 1986. This is 600 cases below initial projections due to the effects of P.L. 99-177 as well as delays in completing alterations and space assignments in support of the Board's 1985 expansion. This disposition rate is approximately 1,200 above the 1985 rate.

In 1986, the Employees' Compensation Appeals Board anticipates receipt of 2,150 appeals and dispositions of 2,000 appeals. This represents a reduction of 200 appeals as a result of P.L. 99-177 fund sequestration and will result in an increase of 150 backlogged cases. Appeals containing complex issues requiring extensive research and discussion by the Board and its legal staff continue to increase.

The Wage Appeals Board anticipates an intake of 32 new petitions in FY 1986. The Board will resolve 30 cases and will end the year with a backlog of 18 cases.

FY 1985

The Office of the Administrative Law Judges' Black Lung disposition levels were higher than anticipated for FY 1985 due to the "borrowed judges" program and also due to contracting with attorneys on a "piecework" basis to aid in the drafting of decisions for the judge who heard the case. This resulted in a 22% increase in the FY 1985 disposition rate over FY 1984 levels. Total dispositions for FY 1985 were almost 13,200 cases.

FY 1985 was a year of growth and change for the BRB. At the end of FY 1984, Congress mandated an expansion of the Board from three to nine members and of the total organization from 104 to 157 FTE. Throughout FY 1985, the Board worked to set in place the expanded staff, organization and facilities to implement this mandate and make possible a greatly increased level of production in FY 1986.

By May, the Board had nine members at work and by the end of September, all support positions were filled. The number of dispositions issued during FY 1985 reached 2,394. Of these, 1,997 were Black Lung and 397 were Longshore dispositions. Since June, the number of appeals pending before the Board has slowly begun to decline.

In FY 1985 the Employees' Compensation Appeals Board received 2,091 appeals and closed 2,172 cases. Cases pending decreased from 721 to 640. The Board heard 56 oral arguments.

DM-60

A total of 27 cases were filed with the Wage Appeals Board in FY 1985 and 25 cases were resolved. The Board ended the year with a backlog of 16 cases.

Changes for 1987

Activity Changes:
Built-in

Personnel costs including net cost of within-grade promotions effective in 1986 and increased personnel benefits costs .....+$265,000

Nonpersonnel costs including increased cost of travel; transportation; space rental; communications, rent and other utilities; printing; administrative support services; miscellaneous contracts; supplies; and equipment.....+$310,000
Subtotal.....+$575,000

Net program..... +$1,419,000
FTE..... +37

Adjudication

Proposal: To provide for an increase of $1,134,000 and 26 staff.

Rationale: This increase will allow Adjudicatory activities to increase the number of cases processed.

Program Effects: This will result in increased dispositions in the Office of Administrative Law Judges, Benefits Review Board and Employees Compensation Appeals Board, resulting in reduced backlogs.

Base:
FTE: 476 Estimate: $25,811,000

Program Increase:
FTE: +26 Estimate: +$1,134,000

Proposal: An increase of 12 support positions for the Benefits Review Board.

Rationale: To allow the Board to handle additional appeals generated as a result of increases in the Office of Administrative Law Judges dispositions.

Program Effects: Without the requested increase, support staff will have to be redirected from work on outgoing dispositions and overall production would decline by 600 cases. With the increase, the Board will be able to maintain a disposition rate of 4,200 cases annually.

Base:
FTE: 476 Estimate: $25,811,000

Program Increase:
FTE: +12 Estimate: +$402,000

Proposal: An increase of $9,000 in equipment funds for the Employees Compensation Appeals Board.

Rationale: To provide for increased productivity of clerical staff.

Program Effects: This increase will allow ECAB to upgrade word processing equipment so as to maintain the same level of output with reduced staff.

Base:
FTE: 476 Estimate: $25,811,000

Program Increase:
FTE: -- Estimate: +$9,000

Proposal: An increase of $10,000 in printing funds for the Employees' Compensation Appeals Board.

Rationale: To provide adequate funding for ECAB printing needs.

Program Effects: The additional funding, will finance printing of the annual Volume and Digest, thus ensuring compliance with 20 C.F.R. Section 501.8(b) "....to publish its decisions in a form as to be readily available for inspection."

Base:
FTE: 476 Estimate: $25,811,000

Program Increase:
FTE: -- Estimate: +$10,000

Proposal: To provide additional funds for the rental of office space.

Rationale: This increase will cover Adjudication's share of space rental charges as estimated by GSA.

Program Effects: These additional funds will avoid reductions in other areas; i.e., personnel, travel, contracts, etc.

Base:
FTE: 476 Estimate: $25,811,000

Program Increase:
FTE: -- Estimate: +$659,000

Proposal: A reduction of 1 FTE from the Employees' Compensation Appeals Board.

Rationale: This reduction is taken as a part of the President's program to achieve productivity increases throughout the Federal government.

Program Effects: Due to increased productivity of existing staff, made possible by proposed equipment upgrades, there will be no program effect.

Base:
FTE: 476 Estimate: $25,811,000

Program Decrease:
FTE: -1 Estimate: -$20,000

DM-62

Proposal: to provide for a reduction of $195,000 in administrative support services, i.e., Working Capital Fund charges.

Rationale: This reduction is necessary as a result of WCF workload changes.

Program Effects: None.

Base:
FTE: 476 Estimate: $25,811,000

Program Decrease:
FTE: -- Estimate: -$195,000

Proposal: To provide for a decrease of $580,000 in personnel compensation and benefits.

Rationale: This decrease reflects a change in the average cost per FTE in 198 .

Program Effects: None.

Base:
FTE: 476 Estimate: $25,811,000

Program Decrease:
FTE: -- Estimate: -$580,000

DM-63

ADMINISTRATIVE LAW JUDGES

BLACK LUNG WORKLOAD

	FY 1985	FY 1986	FY 1987
Carry over 10/1	20,442	21,795	18,745
New cases	8,424	5,000	5,000
Total	28,866	26,795	23,745
Dispositions	7,071	8,050	8,500
Cases pending	21,795	18,745	15,245
Work in progress	8,500	8,500	8,500
Backlog (cases)	13,295	10,245	6,745
Professional FTE available			
JUDGES	37	50	52
OTHER	100	118	125
TOTAL	137	168	177

LONGSHORE/DCWC WORKLOAD

	FY 1985	FY 1986	FY 1987
Carry over 10/1	4,322	3,576	3,576
New cases	3,183	3,400	3,400
Total	7,505	6,976	6,976
Dispositions	3,929	3,400	3,900
Cases pending	3,516	3,576	3,076
Work in progress	3,400	3,576	3,076
Backlog (cases)	176	--	--
Professional FTE available			
JUDGES	19	17	19
OTHER	43	37	43
TOTAL	62	54	62

DM-64

ADMINISTRATIVE LAW JUDGES (Cont'd)

CETA WORKLOAD

	FY 1985	FY 1986	FY 1987
Carry over 10/1	849	631	381
New cases	208	150	100
Total	1,057	781	481
Dispositions	426	400	300
Cases pending	631	381	181
Work in progress	400	300	181
Backlog (cases)	231	81	--

MISCELLANEOUS WORKLOAD

	FY 1985	FY 1986	FY 1987
Carry over 10/1	135	137	162
New cases	103 1/	100 1/	100 1/
Total	238	237	262
Dispositions	101	75	75
Cases pending	137	162	187
Work in progress	75	75	75
Backlog (cases)	62	87	112

1/ Included are possible cases arising under the new employee debt collection regulations and medical provider provisions of the revised Longshore and Harbor Workers' Compensation Act.

ADMINISTRATIVE LAW JUDGES (Cont'd)

WIN/INA WORKLOAD

	FY 1985	FY 1986	FY 1987
Carry over 10/1	913	909	1,209
New cases	1,177	1,000	900
Total	2,090	1,909	2,109
Dispositions	1,181	700	700
Cases pending	909	1,209	1,409
Work in progress	700	700	700
Backlog (cases)	209	509	709

CIVIL RIGHTS WORKLOAD

	FY 1985	FY 1986	FY 1987
Carry over 10/1	46	37	37
New cases	15	25	25
Total	61	62	62
Dispositions	24	25	25
Cases pending	37	37	37
Work in progress	25	25	25
Backlog (cases)	12	12	12

DM-66

ADMINISTRATIVE LAW JUDGES (Cont'd)

WAGE HOUR WORKLOAD

	FY 1985	FY 1986	FY 1987
Carry over 10/1	419	479	479
New cases	260	250	250
Total	679	729	829
Dispositions	200	150	150
Cases pending	479	579	679
Work in progress	150	150	150
Backlog (cases)	329	429	529

AGRICULTURAL WORKER WORKLOAD

	FY 1985	FY 1986	FY 1987
Carry over 10/1	206	170	160
New cases	123	150	150
Total	329	320	310
Dispositions	159	160	160
Cases pending	170	160	150
Work in progress	160	160	150
Backlog (cases)	10	--	--

ADMINISTRATIVE LAW JUDGES (Cont'd)

EMPLOYEE PROTECTION WORKLOAD

	FY 1985	FY 1986	FY 1987
Carry over 10/1	34	50	65
New cases	74	75	100
Total	108	125	165
Dispositions	58	60	60
Cases pending	50	65	105
Work in progress	50	60	60
Backlog (cases)	--	5	45

BOARD OF CONTRACT APPEALS WORKLOAD

	FY 1985	FY 1986	FY 1987
Carry over 10/1	40	70	90
New cases	57	50	50
Total	97	120	140
Dispositions	27	30	30
Cases pending	70	90	110
Work in progress	50	30	30
Backlog (cases)	20	60	80

DM-68

ADMINISTRATIVE LAW JUDGES (Cont'd)

JTPA WORKLOAD

	FY 1985	FY 1986	FY 1987
Carry over 10/1	8	12	27
New cases	17	25	25
Total	25	37	52
Dispositions	13	10	15
Cases pending	12	27	37
Work in progress	10	15	15
Backlog (cases)	2	12	22

DM-69

BENEFITS REVIEW BOARD

BLACK LUNG WORKLOAD

	FY 1985	FY 1986	FY 1987
Carry over 10/1	5,234	5,736	5,831
New Appeals Docketed	2,499	2,975	3,150
Total Docket	7,733	8,711	8,981
Decisions/Final Orders Issued	1,997	2,880	3,360
Cases Pending	5,736	5,831	5,621
Attorney FTE Available	44	52	56
Board Members Available (FTE)	9 (5.9)	9 (8.8)	9 (9)

LONGSHORE WORKLOAD

	FY 1985	FY 1986	FY 1987
Carry over 10/1	1,387	1,622	1,447
New Appeals Docketed	632	545	625
Total Docket	2,019	2,167	2,072
Decisions/Final Orders Issued	397	720	840
Cases Pending	1,622	1,447	1,232
Attorney FTE Available	10.6	13	14
Board Members Available (FTE)	9 (5.9)	9 (8.8)	9 (9)

DM-70

EMPLOYEE'S COMPENSATION APPEALS BOARD

FECA WORKLOAD

	FY 1985	FY 1986	FY 1987
Carried Forward	721	640	790
New Appeals Docketed	2,091	2,150	2,150
Total Docket	2,812	2,790	2,940
Cases Closed	2,172	2,000	2,200
Cases Pending	640	790	740
Non-processable Cases 1/	300	300	300
Processable Cases	340	490	240
Time Lapse (Months)	2.0	2.7	1.3

1/ Appeal docketed, but case file not yet transferred from OWCP.

WAGE APPEALS BOARD WORKLOAD

	FY 1985	FY 1986	FY 1987
Carry over 10/1	14	16	18
Appeals Filed	27	32	36
Total	41	48	54
Appeals Resolved	25	30	36
Appeals Pending	16	18	18

PROMOTING EMPLOYMENT OF THE HANDICAPPED DM-71

1985 Comparable		1986 Appropriation		1986 Estimate		1987 Estimate		Increase or Decrease	
FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
38	$2,129,000	37	$2,136,000	34	$2,044,000 1/	37	$2,408,000	3	+$364,000

1/ Included in 1986 Estimate above:
Sequestered under P.L. 99-177.....-$92,000 and -3 FTE.

Introduction

The President's Committee on Employment of the Handicapped (PCEH) provides leadership to achieve maximum employment of people with disabilities. The Committee promotes employment of persons with physical and mental disabilities and identifies and works to eliminate barriers standing in the way of their employment opportunities. Educational, informational and technical assistance programs are developed by the Committee to assist in removing barriers and improving public attitudes about people with disabilities.

PCEH is currently organized into four major offices: The Office of State Relations, the Office of Programs, the Office of Communications, and the Office of the Director. In order to gain widespread attention to the needs of the people, with disabilities, the Office of State Relations promotes the strengthening of state and local Committees on Employment of the Handicapped by providing materials, counseling, training, and other assistance. The Office of Programs provides staff support to and tracks the progress of the 12 standing subcommittees, composed of the 600 organizations and individuals volunteering their services to the President's Committee. The Office of Communications conducts an ongoing promotional campaign in the mass media, including radio and TV spots and the public service advertisements. The Office of the Director maintains 1) all management, budget, and personnel functions; 2) liaison with the Executive Committee; and 3) membership rolls and criteria of the committee.

It should be noted that the above mentioned organizational structure of the committee has been revised and will be implemented as soon as applicable federal personnel regulations will allow.

Federal funds are used to meet the cost of salaries and expenses for the staff, to provide the necessary materials, to support the Committee's programs, and to pay for travel expenses of the Chairman and Vice Chairman, who serve without compensation. Volunteer members serve without pay.

1987 Budget Request

The PCEH budget proposal for FY 1987 request calls for moderate increases over 1986. PCEH is able to meet the urgencies of changing times because it has the capacity to blend a small paid staff with a large number of unpaid volunteer members. Concentration will be in these areas: 1) to develop a 5-year action plan based upon the National Council on the Handicapped's report to the President and Congress; 2) to continue to expand and promote the Job Accommodation Network (a national computerized service for employers, providing information about accommodations for workers who are disabled; 3) to provide technical, legislative and program support to the

employment efforts of the Governors' and local Committees on Employment of the Handicapped to increase employment opportunities at the grassroots level; 4) to advise the President on policy, consult with the Congress on legislation, and coordinate with the administration on the development and enforcement of regulations; 5) to continue to hold State and local cross-cutting conferences, "Pathways to Employment", bringing together leaders from a variety of walks of life to discuss how people with disabilities can be prepared for jobs with promotional opportunities; 6) to develop projects which would bring seriously disabled people into the labor force, e.g., a national conference on work incentives for people with disabilities to seek employment; 7) to implement a high school/high tech project for disabled students around the country; 8) to serve as the national resource on employment needs of people with disabilities; 9) to gather and disseminate information and technical assistance.

1986

In 1986, PCEH will:

- Intensify its efforts to encourage the retention rather than early retirement of workers disabled on the job, and to promote the upward mobility of employees with disabilities.

- Reorganize its staff and structure to improve the efficiency of the operation and to better serve (a) Governors' and local Committees, (b) individuals with disabilities, and (c) member organizations, i.e., employers, veterans, labor and others.

- Conduct a national conference on the employment successes, problems and needs of disabled black Americans.

- Expand the JAN (Job Accommodation Network) to reach more of the nations smaller employers and to increase accommodation information related to mental disabilities. Established a non-profit corporation to enable the JAN to receive funding directly from the private sector with the long term objective of the network becoming self-sufficient.

- Develop a High School/High Tech program to encourage disabled students at the high school level to consider and prepare for employment opportunities in high tech fields.

- Conduct an Annual Meeting that focused on employment related segments of the National Council on the Handicapped's report to the President and Congress. The President's Committee developed strategies to assist in implementing the employment related recommendations made by the National Council.

- Continue promoting the highly successful "Pathways to Employment" program.

- Continue all mass media promotional campaigns.

- Establish collaborative efforts with rehabilitation organizations and other Federal Agencies to further enhance empmloyment opportunities by improving work incentives.

In FY 1986, a reduction of $92,000 was taken for Gramm-Rudman-Hollings. The effects of the Gramm-Rudman-Hollings legislation in FY 1986 will require the Committee to reduce three full-time equivalents.

1985

-- PCEH held a number of special National meetings which called attention to the changing needs and priorities of disabled people in America. Among them: a highly acclaimed forum-festival on recreation sports and leisure time occupations for disabled people; the reasonable cost of accommodations for disabled workers; how the general population can become more sensitive to the needs and aspirations of disabled people. In addition, ongoing functions of PCEH were carried out: mass promotional efforts; national writing and poster contests; encouraging disabled people to enter the labor-force rather than remain on SSI and SSDDI; a prize-winning magazine, Disabled USA, booklets and pamphlets aimed at specific segments of the public (employers, union leaders, disabled people). Developed audio-visual material for school districts to motivate disabled students. Conducted an international seminar on mental retardation. Co-sponsored, with the National Organization on Disability, awards programs for trade associations and local communities.

Changes for 1987

Activity Changes:

Built-in:

Personnel costs including net cost of within-in grade promotions effective in 1986, and increased cost of personnel benefits	+$24,000
Nonpersonnel costs including increased cost of travel, transportation, space rental, communications, rent and other utilities, printing, miscellaneous contracts, administrative support services, supplies and equipment	+$28,000
Subtotal	+$52,000
Net Program	+$312,000
FTE	+3

President's Committee on Employment of the Handicapped

Proposal: To provide a funding increase of $92,000.

Rationale: This increase will provide funding for PCEH to provide additional support to the Governors' and local committees on employment of the handicapped.

Program Effects: The additional resources will allow PCEH to perform the full range of activities associated with employment programs for the handicapped.

Base
FTE: 38 Estimate: $2,096,000

Program Increase
FTE: +3 Estimate: +$92,000

Proposal: To provide $60,000 in additional funds for the rental of office space.

Rationale: This increase will cover PCEH's share of space charges as estimated by GSA.

Program Effects: These additional resources will avoid reductions in other areas, i.e., personnel, travel, contracts, etc.

Base
FTE: 38 Estimate: $2,096,000

Program Increase
FTE: -- Estimate: +$60,000

Proposal: To provide for a reduction of $18,000 in administrative support services, i.e., Working Capital Fund (WCF).

Rationale: This reduction is necessary as a result of WCF workload changes.

Program Effects: None

Base
FTE: 38 Estimate: $2,096,000

Program Decrease
FTE: -- Estimate: -$18,000

Proposal: To provide for an increase in funding of $178,000.

Rationale: This increase reflects a change in the average cost per FTE in 1987.

Program Effects: None.

Base
FTE: 38 Estimate: $2,096,000

Program Increase
FTE: -- Estimate: +$178,000

DM-76

Department of Labor
Department of Management
Promoting Employment of the Handicapped
Workload Measures

	FY 1985 Comparable	FY 1986 Estimate	FY 1987 Estimate
**Workload/Performance Measures			
Publications Issued	80	80	82
Radio Spots Developed	85	85	85
Meetings Participated In	75	75	76
Visits to Governors' Committees	90	86	90
Special Meetings Held	11	10	11
Projects Engaged in by Standing Committees	15	14	14
Meetings Held by Standing Committees	18	18	19
Major Addresses Delivered	100	100	100
Other (Annual Meeting) Attendance	5,000	5,000	5,000

** In connection with the proposed reorganization of the President's Committee and staff, the above workload measures are being reviewed and will be revised in line with new goals and objectives. Until this can be accomplished, the above workload measure will remain in effect.

WOMEN'S BUREAU

DM-77

1985 Comparable		1986 Appropriation		1986 Estimate		1987 Estimate		Increase or Decrease	
FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
84	$5,130,000	83	$5,441,000	79	$5,207,000 1/	83	$5,785,000	4	+$579,000

1/ Included in 1986 Estimate above:
Sequestered under P.L. 99-177.....-$234,000 and -4 FTE.

Introduction

The Women's Bureau is the only Federal agency mandated to "promote the welfare of wage earning women, improve their working conditions, increase their efficiency, and advance their opportunities for profitable employment," as authorized by Public Law 259, June 5, 1920. As such, the Bureau addresses numerous problems and issues regarding working women which have been compounded in recent years by the dramatic shifts occurring in the nation's economy. As of July 1985, 51 million women were in the civilian labor force representing 44 percent of the total. Most of these women were employed. Only 7.5 percent, or 3.8 million were unemployed, about the same proportion as one year earlier. The number employed represents a growth from a year earlier of almost 1 million new women workers, a continuation of a trend of more than a decade. The Department of Labor projects that women will comprise nearly two-thirds of the growth in the labor force for the next fifteen years. Women over 40 are now the fastest growing segment of the U.S. labor force. Fifty-three percent of women age 40 to 64 are either in the work force or looking for employment. However, women, on average, earn about two-thirds as much as men. Despite some movement into professional and managerial jobs, most employed women remain in the less skilled jobs. The continued productivity of this economy and much of its improvement will depend on the new women workers having the appropriate skills, education and knowledge sufficient for the demands of the competitive work environment. In 1984, 56 percent of 58 million children under 18 had mothers in the labor force. The number of families maintained by women grew more than 84 percent between 1970 and 1984. Because the economy will be dependent largely on women--even among immigrants--many policies, practices and occupations will be under scrutiny and will be subject to change. As these shifts continue, the Bureau's ability to address them will be impacted. Our response to these changes and the varying needs of women will come through conducting research, experimental and evaluation projects, and preparing or commenting on policy documents, proposed legislation, and regulations dealing with such issues as compensation and benefits, occupational and industrial employment, job training, market readiness, and family support needs.

Since its inception in 1920, the Bureau has conducted a program to analyze and publish data on working women, participated in the development of policies and programs to address the problems of women in the labor force, carried out initiatives to test alternative solutions, and provided technical assistance to both the private and public sectors. The Bureau has been in the forefront of demonstrating how working conditions and practices can be improved for all workers. While separate institutions have been created to implement many of the laws promulgated to improve the working conditions of workers, the Women's Bureau has continued to focus on problem identification, analysis and development of innovative policy and program options to address women workers. The Women's Bureau has also fostered the development of institutions at the State and local levels, specifically Commissions on the Status of Women, to address State and local laws and needs. The Bureau has

served as a model for and has provided technical assistance to other countries desiring to address the needs of women workers.

While the participation of other public and private groups is needed in the policy development and implementation process to address the problems of working women, none of them can carry out the mandate of the Women's Bureau. The Bureau is a unique segment of the Federal mechanism and provides a central point from which to coordinate the consideration of issues pertaining to women workers. The Bureau's mandate and location in the Federal system permits access to the policymaking mechanism which is not available directly to non-Federal public or private groups. The Women's Bureau enjoys broad-based support from constituent groups and the Congress, as well as from other Federal agencies. In addition, it is recognized by as many as 33 countries with Women's Bureau-type national institutions. There is growing awareness of the importance of the Women's Bureau along with an awareness of the importance of women as workers. Through the year, the Women's Bureau has worked closely with a variety of public and private organizations at the national, State, and local levels, and it is clear that today, as in 1920, these organizations recognize the necessity for Federal leadership in nationally developed policies and program initiatives to promote the welfare of working women.

The Bureau seeks to achieve its goals and accomplish its mission through a National Office staff consisting of the Office of the Director, three other offices (Office of Policy Analysis and Information, Office of Experimental Programs and Technical Assistance, and the Office of Administrative Management), a Field Coordination staff and regional offices. Both the national and regional office staffs carry out activities to achieve the Agency's Supporting Goals in response to the Secretary's Long Term Goals. The Women's Bureau supporting goals are to: (1) improve employment opportunities for single female heads of households and displaced homemakers; (2) improve the quality and reduce the response time of correspondence; and (3) encourage labor and management to jointly examine the needs of workers both on the job and at home.

1987 Budget Request

In FY 1987, the Women's Bureau will continue to function as a catalyst for programs that enhance the employability of women, such as the Job Traininag Partnership Act (JTPA), and the Carl Perkins Vocational Education Act, placing special emphasis on single heads of households, displaced homemakers and on the dual responsibilities of workers--work and family. In this respect, the Bureau will continue to work closely with a variety of public and private organizations at the national, State, and local levels, as well as within the Department of Labor (DOL) and with other Federal agencies, to provide the necessary Federal leadership in the development and implementation of policies and program initiatives to promote the welfare of working women. The Bureau will promote and carry out program initiatives to address the employment and training needs of women, provide technical assistance to employers and others at the local level, and respond to the public for information related to women's employment.

With $1,000,000 in project funds, the following major programs will be supported:

Corporate Linkage Model. The Women's Bureau will evaluate the corporate linkage process model, which defines a program of private and public sector partnership in increasing women's career mobility in major corporations. The evaluation study will assess the performance of the process model based on the experience of at least five (5) corporations participating

in the corporate linkage initiative. The results will contribute to any further development of the process model that may be required.

Women in Service Sector. The Bureau will fund a research project to assess employment opportunities for women at all levels of the service sector, determine advancement requirements in mature industries and identify opportunities for women in emerging occupations and industries resulting from the tremendous growth in the service economy.

Women in Poverty. The Women's Bureau will fund a research project on the continued high levels of poverty among women in a growth economy to identify ways of assisting them to obtain self-sufficiency. This research will look at the extent to which multiple births to unmarried women impede their ability to assume economic responsibility and define an appropriate policy and program role for governmental organizations at various levels and for the private sector.

Dependent Care-Responsibility. The Women's Bureau will fund a project to determine what the impact is on women in the labor force who must also be caregivers to children, dependent parents and others. This will include identifying new skills and needs for careers as dependent care workers.

In FY 1987 the Women's Bureau will also review and analyze thirty-three legal proposals and will complete thirty policy documents on proposed legislation and regulations as they impact on women workers, such as pensions, social security and equal job access for women. In coordinating Federal research activities on women workers in the economy, the Bureau will develop its own research agenda as well as work within the Department and with other Federal agencies on their research agenda, as they relate to working women. Additionally, the Bureau's constituent liaison program will be actively pursued in order to inform the public about policies and programs for assisting women. WB publications, identified as most helpful to employers, union officials, public officials and women, will be updated and reissued. Twenty-seven publications on high priority issues will be prepared. Leadership and technical assistance will be provided to over 67 networks and/or coalitions at the national and regional levels. In addition, over 158 speeches/presentations on DOL/WB issues will be made and over 98,000 public inquiries will be responded to in such areas as women business owners, women in non-traditional jobs, technological changes in the workplace, flexible work arrangements, entering and reentering the work force, and women in the military and women veterans. In addition to funding three projects at the national office level, the Bureau will work with organizations at the State and local levels to institute elements of previously developed model demonstration projects that assist working women.

The Bureau will continue to support U.S. policy objectives as a U.S. delegate, to the OECD Working Party on the Role of Women in the Economy, and the Director will serve as one of the Vice Presidents. The Bureau will actively work with the U.N. Commission on the Status of Women on follow-up to recommendations and activities stemming from the 1985 "End of Decade" Conference on Women; work with the ILO on issues pertaining to women and their advancement in gainful employment; host and brief international visitors on the status of working women and the programs of the Women's Bureau; and respond to requests from agencies involved in international activities. The Women's Bureau is requesting no additional funding to accomplish these activities.

DM-80

1986

During FY 1986, a reduction of $234,000 was required by Gramm-Rudman-Hollings, requiring the Bureau to reduce four full-time positions and reduce its travel budget by nearly 10 percent, and reduced funding for projects by $43,000. This will impact on the Bureau's ability to monitor, provide technical assistance to and evaluate its funded projects; to maintain national networks,such as Commissions on the Status of Women; and to provide technical assistance and participate in public forums at the regional and local levels. The specific projects which the Bureau will undertake include:

Single heads of households and Displaced Homemakers. The Women's Bureau will develop a research and demonstration initiative to identify strategies to improve employment opportunities for displaced homemakers and single heads of households that experience disproportionately high rates of poverty. This initiative will emphasize both private sector approaches to meeting the training and employment needs of these target groups and coordination of government agency efforts on their behalf.

Child Care. FY 1986 marks the fifth and final year of support to the four child care components to the Rockefeller Foundation demonstration employment and training projects for single heads of households. Although different, each program provides child care supportive services and placements, conducts parenting skills workshops for the participants, networks with public and private agencies for child care services, provides counseling and works with employers to encourage their participation in child care, as an employee benefit option. The information gathered through this effort and previously funded regional projects will be used to determine the most effective way to provide child care for working parents.

Corporate Linkages. The Bureau will develop and implement a model project educate corporate leaders on the critical role of mentoring in career progression, to analyze why mentoring arrangement exclude women for the most part, and to identify and execute techniques for increasing women's access to mentoring support systems to provide for upward mobility at all levels of the corporate system.

Federal Highway Administration. Through a Memorandum of Understanding, the Women's Bureau will implement a joint project with the Department of Transportation's Federal Highway Administration to identify the most effective techniques for increasing the employment of women in the highway industry and to develop a replicable model to assist States and highway contractors to achieve this goal.

Women Veterans. The Women's Bureau will develop a research study through a cooperative effort with the Department's Office of Veterans' Employment and Training to assess the transferability of military women's skills to civilian employment.

Technology in the Workplace. Based on the development of the state-of-the-art data and the completion of studies on the impact of technological changes on women office workers by the National Academy of Sciences under a WB financed research project, the Bureau will sponsor symposia to address the impact of new technology in the workplace. The Bureau will also provide technical assistance and guidance to employers, who are introducing technological changes in the workplace.

Other activities for FY 1986 include:

- Research, compilation and analysis of data on employment and earnings status of women, and preparation and provision of clear, precise information to the public on issues impacting women in the labor force;

- Working with State and local organizations, community-based organizations, industries and trade union organizations at the national and regional levels to ensure the continued participation of women in all programs developed under the Job Training Partnership Act, as well as other programs undertaken by these private sector groups;

- Continuing support of U.S./DOL objectives as U.S. delegate to the OECD's Working Party on the Role of Women in the Economy; continue to work with the U.N. Commission on the Status of Women to follow-up on recommendations and activities stemming from the 1985 "End of Decade" Conference on Women; continue to host and brief international visitors on the status of working women and the programs of the Women's Bureau.

1985

With $1,000,000 in project funding allocated by Congress, the Bureau accomplished the following program activities:

Child Care. In FY 1985, the Women's Bureau completed the fourth year of a five-year project that addresses employer-sponsored child care in conjunction with the Rockefeller Foundation. The purpose of the project is to determine how to effectively meet the child care needs of single heads of households by integrating the provisions of child care services with employment and training services. Sixty-eight contacts were made by WB staff with employers about employee child care assistance programs.

Project Discovery. The purpose of this project was to assist a target population of minority women, aged 35-50, who were entering or reentering the labor market after years of work in the home or making a career change. The project, which was conducted in eight regional areas, reached this population through two workshops: with the initial workshop focused on necessary steps to enter/reenter the labor market or to make a career change. More than 500 women participated in Project Discovery. In many of the regions, support groups were formed to replicate Project Discovery by the participants attending the follow-up workshops.

Women in Nontraditional Careers (WINC). In FY 1985, the Women's Bureau convened a national conference to introduce the WINC concept and process to policymakers, administrators and program developers, as the basis for the integration of this school-to-work transition program approach into conventional program policies for youth. Approximately 200 representatives of the educational community nationwide attended the conference. At the regional level, WINC concept was introduced to school administrators and other personnel, in Region VII, Kansas City, for school systems in Kansas, Missouri and Nebraska; in Region VI, Baton Rouge, Louisiana; and in Region VIII, in Riverton, Wyoming and Casper, Wyoming.

Women Immigrant, Refugee and Entrants (WIRE) Project. In FY 1985, the Women's Bureau sponsored forums at three locations to identify and dialogue on the specific needs of immigrant, refugee and entrant women. The meetings were held in Miami, Brownsville, Texas, and Long Beach, California, and were attended by service providers, policymakers, members of community-based organizations and the concerned women. The meetings confirmed the fact

that these women's greatest single need is training. The project's primary recommendation to come out of the dialogue was for the creation of training opportunities that provide: a) instructions in English as a second language; b) lessons in employability skills and occupational awareness; c) acculturation and orientation classes; and d) vocational training for entry-level positions. Follow-up projects were funded in each of three locations to examine whether these women's employability is enhanced when the recommended training is provided.

Women and the New Technology. During FY 1985, the Women's Bureau, in conjunction with the National Academy of Sciences' Committee on Women's Employment and Related Social Issues, held a national symposium to examine the issues related to the introduction of high technology into the workplace. Research on new technology, when completed, will consist of a state-of-the-art review of data, research studies and information to identify the needs and recommend remedies to ease the impact of technological change on women workers. The Bureau also completed one in a series of three publications focusing on "Women and Office Automation: Issues in the Decade Ahead."

Displaced Homemakers Network. In meeting the objectives of an eight-point plan in FY 1985, the Network continued their national initiative on JTPA training and monitoring by conducting workshops at three regional meetings with 465 attendees, and orienting 400 PICs at their national conference to the issues of the displaced homemakers. They also participated on JTPA's Women's Coalition. A technical assistance guide for programs seeking access to JTPA was developed, as was a similar publication on how to implement an entrepreneurship training program, based on a study of the impact of the training on 5 local Displaced Homemaker programs. A referral system linking individuals with local resources through State or regional contacts provided 3,600 women assistance during the year. The Network prepared technical guides and conducted workshops on the Child Support Enforcement Amendments and the Retirement Equity Act at regional conferences, and 12 for 600 participants were given on the Perkins Vocational Education Act. A study was begun of nine selected displaced homemaker programs to find out what has happened to participants over the past four years, and another report was completed describing strategies for serving minority displaced homemakers. About 102,500 individuals across the country were assisted through the efforts of the 450 local programs that received information, skill training, materials and direct services from the Network.

Job Training Partnership Act (JTPA). Based on an analysis of transition year 1984 data showing the absence of and the data on occupations for which women are being trained, the Women's Bureau funded a study to determine which occupations women are being trained for and the ones in which they are finding employment. The Women's Bureau also actively participated on the JTPA Performance Standards Advisory Committee in formulating its recommendations for performance measurements for FY 1986.

Publications and Audiovisual. During FY 1985, the Bureau responded to numerous requests, distributing approximately 104,000 of its publications through the national and regional offices. Among our most requested publications were "Time of Change: 1983 Handbook on Women Workers," the revised edition of "A Working Woman's Guide to Her Job Rights," "Child Care: Establishment Services Through the Workplace." In June, the Bureau published "The United Nations Decade for Women 1976-1985: Employment in the United States," for use at the closing conference of the UN Decade for Women in Nairobi, Kenya; and 400 copies were distributed in Nairobi. Other new publications include: "Women and Automation: Issues for the Decade Ahead," "Women's Bureau: Meeting the Challenges of the 80's," and the first in a series of how-to guides for program leaders entitled "Job Training in Food

Services for Immigrant and Refugee Women." "The Business of Caring," the Bureau's videotape on employer-sponsored child care, was circulated to 250 users on a free-loan basis by the national office. Each of the regions also reported heavy use of their circulating copies of the tape.

Support U.S./Department of Labor Foreign Policy Objectives. The Director served as the U.S. delegate to the Organization of Economic Cooperation and Development's (OECD) Working Party on the Role of Women in the Economy and served as one of the Vice Presidents. The Women's Bureau participated in an OECD-sponsored conference sponsored by OECD with representatives from 18 countries, at which the following subjects were discussed: entrepreneurship; the support structures needed to help women set up new businesses; the role of the public and private sectors in promoting opportunities for women in entrepreneurships; and the self-sufficiency that such ventures engender for low-income and welfare women, if they are provided with such support.

The Women's Bureau Director was a member of the U.S. Delegation to the United Nations Conference on the Status of Women in Nairobi, Kenya, in July 1985. The U.S. role, the Women's Bureau prepared and published the 155 page report, "The United Nations Decade for Women, 1976-1985: Employment in the United States", which was available for the briefing of the delegation, Congress, the media, member countries, and the general public.

In addition, the Women's Bureau published a series of 10 fact sheets on topics of particular and current concern to women for use by the delegation, and to inform other delegations, attendees and observers from nongovernmental organizations about women's issues in the U.S. A special briefing paper was developed on "Business Development Opportunities in the United States for Women in Other Countries." The major outcome of the U.N. Conference was the first worldwide agreement on a document covering women.

The Women's Bureau continues to provide technical assistance to State, country, and local Commissions on the Status of Women, and, on request, helping to set up new Commissions, assisting with program information, and providing linkages to employment and training resources, and co-sponsoring regional conferences. In FY 1985, a total of 220 Commissions were in existence. Eleven new local Commissions were established during the year.

DM-34

Changes for 1987

Activity Changes:

Built-in:

Personnel costs including net cost of within-in grade promotions effective in 1986, and increased cost of personnel benefits	+$48,000
Nonpersonnel costs including increased cost of travel, transportation of things, space rental, communications, rent and other utilities, printing, miscellaneous contracts, administrative support services, supplies and equipment	+$57,000
Subtotal	+$105,000
Net Program	+$473,000
FTE	+4

Women's Bureau

Proposal: To provide a funding increase of $234,000.

Rationale: This change will provide increased funding for projects and additional staff and travel.

Program Effects: The additional resources will permit increased project funding, increased monitoring of and technical assistance to funded projects, maintenance of national networks, and other priority activities.

Base FTE: 83	Estimate: $5,312,000
Program Increase FTE: +4	Estimate: +$234,000

Proposal: To provide additional funds of $120,000 for the rental of office space.

Rationale: This increase will cover WB fair share of space charges as estimated by GSA.

Program Effects: These additional resources will avoid reductions in other areas, i.e., personnel, travel, contracts, etc.

Base FTE: 83	Estimate: $5,312,000
Program Increase FTE: --	Estimate: +$120,000

Proposal: To provide for a reduction of $36,000 in administrative support services, i.e., Working Capital Fund (WCF).

Rationale: This reduction is necessary as a result of WCF workload changes.

Program Effects: None

Base
FTE: 83 Estimate: $5,312,000

Program Decrease
FTE: -- Estimate: -$36,000

Proposal: To provide for an increase in funding of $155,000.

Rationale: This increase reflects a change in the average cost per FTE in 1987.

Program Effects: None.

Base
FTE: 83 Estimate: $5,312,000

Program Increase
FTE: -- Estimate: +$155,000

DM-86

Workload/Performance Measure	FY 1985 Comparable	FY 1986 Estimate	FY 1987 Estimate
A. Policy Development:			
1. Legal proposals	33	31	33
2. Policy documents	30	28	30
3. Research proposals	54	51	53
B. Policy Implementation:			
1. Constituents Liaison			
a. Publications prepared	27	25	27
b. Presentations on DOL/WB policy issues	160	150	158
c. Public Inquiries answered	99,823	93,881	98,635
2. Conferences and meetings conducted	178	167	176
3. Networking and Assistance to Women's Support Systems	68	64	67
4. Experimental Model Projects	49	46	48

CIVIL RIGHTS

DM-87

1985 Comparable		1986 Appropriation		1986 Estimate		1987 Estimate		Increase or Decrease	
FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
67	$3,268,000	67	$3,383,000	64	$3,237,000 1/	66	$3,192,000	2	-$46,000

1/ Included in 1986 Estimate above:
Sequestered under P.L. 99-177.....-$146,000 and -3 FTE.

Introduction

The Office of Civil Rights (OCR) is responsible for ensuring full compliance with Title VI of the Civil Rights Act of 1964, Title IX of the Education Amendments of 1972, as amended; Section 401 of the Full Employment and Balanced Growth Act of 1978, Section 504 of the Vocational Rehabilitation Act of 1973, as amended, and the Age Discrimination Act of 1975, as amended, in all programs and activities receiving or benefitting from Department of Labor (DOL) financial assistance. OCR has been delegated authority to ensure compliance by DOL with the 1978 Amendments to Section 504 of the Rehabilitation Act of 1973, which prohibit discrimination on the basis of handicap in any program or activity directly conducted by DOL.

In addition to its statutory responsibilities for ensuring nondiscrimination in federally assisted programs, OCR is responsible for the management and direction of the Equal Employment Opportunity (EEO) complaint processing system for internal (EEO) complaints pursuant to the provisions of Title VII of the Civil Rights Act of 1964, as amended, the Rehabilitation Act of 1973, and the Age Discrimination in Employment Act, as these laws pertain to the rights of employees and applicants for employment with the Department.

Further, pursuant to Secretary's Order 7-83, OCR has also been delegated responsibility for coordinating enforcement of DOL compliance with the Architectural Barriers Act of 1968 which require that certain federally owned or leased buildings be in compliance with GSA accessibility standards.

1987 Budget Request

In 1987, this level of activity will ensure compliance with departmental civil rights complaint procedures and all nondiscrimination provisions in Department of Labor grant programs, promote equal opportunity (EO) throughout departmental financial assistance programs, and provide training and technical assistance to OCR staff and departmental financial assistance recipients in an effort to minimize instances of noncompliance. This budget request will provide for appropriate activity in compliance reviews and provide training and technical assistance to recipients, beneficiaries, and departmetnal program agencies to enable them to integrate civil rights objectives into program administration. OCR will continue to direct the EEO program and the EEO complaints processing system, develop policy, standards, and procedures; coordinate training programs and course development; develop compliance monitoring systems and enforcement strategies; and implement management information and case tracking systems relative to civil rights requirements in grants. OCR will conduct reviews of grant awards after they are received to ensure that there is compliance with requirements related to civil rights and EEO, and conduct investigations in response to complaints of discrimination.

1986

In accordance with P.L. 99-177, Balanced Budget Emergency Deficit Control Act of 1985, the 1986 budget request reflects a reduction of $145,000 and 3 FTE. However, OCR will continue to operate and administer a comprehensive

compliance and enforcement effort covering all programs and activities receiving financial assistance from or conducted by DOL; continue to issue policy and procedural guidance, to develop compliance standards, to publish regulations which implement DOL's statutory responsibilities, and to provide DOL program agencies and recipients with technical assistance within available resources. In addition, OCR will continue to coordinate the Department's implementation of its responsibilities under the 1978 Amendments to Section 504 of the Rehabilitation Act of 1968; to administer an all-inclusive EEO formal and informal complaint resolution program; and, aid in the promotion and improvement of EEO through the implementation of agency-wide affirmative action plans.

Finally, OCR will continue to provide management oversight and policy direction to regional and other staffs to ensure internal and external compliance programs fully utilize standards and procedures that result in consistent and effective enforcement.

1985

Accomplishments included the addition of an automated subsystem which greatly enhanced OCR's Management Information and Case Tracking System; training of all OCR Investigators in determination writing; publication of a notice of proposed rulemaking to provide for the Federal enforcement of Section 504 of the Rehabilitation Act of 1973; and development of a quality assurance program for improving case processing. OCR certified 55% of the States' EO Methods of Administration by which the States provide reasonable assurance that they will operate JTPA programs in compliance with applicable EO laws and regulations.

Changes for 1987

Activity Changes:
Built-in:

Personnel Costs including net cost of within-grade promotions effective in 1986, and increased costs of personnel benefits	+$ 36,000
Nonpersonnel costs including increased cost of travel, transportation of thngs , space rental, communication, rent and other utilities, printing, miscellaneous contracts, administrative support services, supplies and equipment	+$ 42,000
Subtotal	+$ 78,000
Net Program	-$123,000
FTE	+2

Civil Rights

Proposal: To provide a funding increase of $146,000.

Rationale: This increase will provide additional staff in support of OCR activity.

Program Effects: This increase will allow OCR to meet expected 1987 workloads.

Base:
FTE: 64 Estimate: $ 3,315,000

Program Increase:
FTE: +3 Estimate: +$146,000

Proposal: To provide $90,000 in additional funds for the rental of office space.

Rationale: This increase will cover OCR's fair share of the space charges as estimated by GSA.

Program Effects: These additional funds will avoid reductions in other areas, i.e., personnel, travel, contracts, etc.

Base:
FTE: 64 Estimate: $ 3,315,000

Program Increase:
FTE: -- Estimate: +$90,000

Proposal: To provide for a $27,000 reduction in administrative support services, i.e., Working Capital Fund (WCF).

Rationale: This reduction is necessary as a result of WCF workload changes.

Program Effects: None

Base:
FTE: 64 Estimate: $ 3,315,000

Program Decrease:
FTE: -- Estimate: -$27,000

Proposal: To provide for savings achieved through productivity improvements.

Rationale: This reduction is taken as a part of the President's program to achieve productivity increases throughout the Federal government.

Program Effects: This reduction is expected to result in increased program efficiencies.

Base:
FTE: 64 Estimate: $ 3,315,000

Program Decrease:
FTE: -1 Estimate: -$14,000

Proposal: To provide for a $318,000 decrease in personnel compensation.

Rationale: This decrease reflects a change in average cost per FTE in 1987.

Program Effects: None.

Base:
FTE: 64 Estimate: $ 3,315,000

Program Decrease:
FTE: -- Estimate: $ -318,000

DM-90

Office of Civil Rights

Workload/Performance Measures	FY 1985 Actual	FY 1986 Estimate	FY 1987 Estimate
Title VI			
Number of Primary Recipients	742	742	742
Number of Pre-Award Reviews	28	20	--
Number of Post Award (Desk) Reviews	33	35	33
Number of Post Award (onsite) Reviews	45	70	85
Number of Training Sessions Conducted	19	20	20
Hours of Technical Assistance	2,200	3,650	3,700
Complaint Processing			
Number Complaints on Hand BOY	114	107	107
Number Complaints Received	418	400	400
Total Number of Complaints	532	507	507
Number Closed	425	400	400
Number Complaints Carried Forward	107	107	107
Title VII			
Complaint Processing			
Number Complaints on Hand-BOY	138	121	136
Number Complaints Received	100	110	110
Total Number of Complaints	248	231	246
Number Closed	117	95	95
Number Complaints Carried Forward	121	136	151

DM-91

LIST OF NEW POSITIONS

	Grade		Number	Annual Salary
Activity 2: Legal Services				
National Office:				
Attorney	GS-14		2	88,860
Attorney	GS-9		14	305,256
Clerk-typist	GS-5		9	129,510
Subtotal		0	25	523,626
Field Office:				
Attorney	GS-9		10	218,040
Clerk-typist	GS-5		5	71,950
Subtotal			15	289,990
Activity 5: Adjudication:				
National Office:				
Benefits Review Board				
Paralegal Specialists	GS-12		2	63,000
Paralegal Specialists	GS-11		2	53,000
Paralegal Specialists	GS-09		2	44,000
Paralegal Specialists	GS-07		3	54,000
Legal Clerks	GS-05		3	43,000
Subtotal			12	257,000
Total, New Positions			52	1,070,616

DM-92

ADVISORY AND ASSISTANCE SERVICES[1/]

	FY 1986	FY 1987
Type of Services		
Advisory and Assistance Services.....	$186,000	$186,000
Personnel Appointments:		
a. Consultants and Experts.....	63,000	63,000
b. Advisory Commission Members.....	--	--
Total.....	$249,000	$249,000
Withdrawn from Obligation under Section 515, Treasury-Postal Service Appropriations Act, 1986. (Referenced in P.L. 99-190).....	-25,000	--
Revised Total.....	$224,000	$249,000

Justification of FY 1987 Request

Executive Direction ($62,000)

The Secretary uses consultant services to objectively assess departmental programs and plans with regard to functions, structures, accomplishments and strategies.

International Labor Affairs Bureau (ILAB) ($36,000)

In FY 1987 ILAB plans to use experts to provide advice and consultation in the areas of international economic policy, immigration, and trade union reporting. Special studies will be prepared on the International Labor Organization (ILO) and the Foreign Trade Union.

Administration and Management ($126,000)

Consultant services are used to provide office skills and management development training for departmental personnel.

1/ The Cabinet Council on Management and Administration (CCMA) defines advisory and assistance services as those activities funded under six categories of procurements found in the Federal Procurement Data System. These categories include: 1) Management and Professional Services, 2) Special Studies and Analyses, 3) Management and Support Services for Research and Demonstration, 4) Training, 5) Management Review of Program Funded Organizations, and 6) Public Relations.

STANDARD FORM 306
July 1968, Bureau of the Budget
Circular No. A-11, Revised.

DM-93

DETAIL OF PERMANENT POSITIONS

	FY 1985 Comparable	FY1986 Estimate	FY 1987 Estimate
Executive level I	1	1	1
Executive level III	1	1	1
Executive level IV	2	2	2
Executive level V	1		
Subtotal	5	4	4
ES-6	4	6	6
ES-5	9	9	9
ES-4	29	30	30
ES-3	3	1	1
ES-2	5	5	5
ES-1	1	1	1
Subtotal	51	52	52
GS-18	1	1	1
GS-17	5	4	4
GS-16	82	81	81
GS/GM-15	196	220	220
GS/GM-14	233	237	237
GS/GM-13	374	326	344
GS-12	138	148	148
GS-11	201	202	202
GS-10	11	12	12
GS-9	148	180	180
GS-8	46	42	42
GS-7	221	248	248
GS-6	124	128	128
GS-5	111	88	88
GS-4	44	39	39
GS-3	22	29	29
GS-2	2	4	4
GS-1	--	--	--
Subtotal	1,959	1,989	2,007
FC-13 $61,296 - $68,700	1	1	1
FC-12 $52,262 - $67,940	9	4	4
FC-11 $44,430 - $57,759	13	6	6
FC-10 $37,599 - $48,876	8	5	5
FC-9 $31,619 - $41,105	26	4	4
FC-8 $26,381 - $34,292	1	1	1
FC-7 $24,011 - $31,211	1		

STANDARD FORM 306
July 1968, Bureau of the Budget
Circular No. A-11, Revised.
*OMB-102

DM-94

DETAIL OF PERMANENT POSITIONS

	FY 1985 Comparable	FY1986 Estimate	FY 1987 Estimate
FC-6 $21,804 - $28,347.....			
FC-5 $19,740 - $25,662.....			
FC-4 $17,824 - $23,170.....	2		
FC-3 $16,040 - $20,855.....			
FC-2 $14,390 - $18,710.....			
FC-1 $12,862 - $16,723.....			
Subtotal.....	61	21	21
Total Permanent Positions 1/.....	2,076	2,066	2,084
Unfilled Positions, end-of year.....	-88	-15	-25
Total permanent employment, end-of-year.	1,988	2,051	2,059
1/ Worker-Trainee Opportunity Program positions included above.....	(4)	(4)	(4)
Allocation Accounts			
Reimbursables.....	(147)	(130)	(32)
Labor Management Services Administration.	(5)	(--)	(--)

DEPARTMENTAL MANAGEMENT

SPECIAL FOREIGN CURRENCY PROGRAM

	Page No.
Appropriation language and explanation of language changes....	1
Amounts available for obligation.....	2
Budget authority by activity.....	3
Budget authority by object.....	3
Significant items in FY 1986 House and Senate Appropriations Committees reports.....	4
Authorizing legislation.....	4
Appropriation history.....	5
Justification:	
Appropriation.....	6

DEPARTMENTAL MANAGEMENT

SPECIAL FOREIGN CURRENCY PROGRAM

For payments in foreign currencies which the Treasury Department determines to be excess to the normal requirements of the United States, for necessary expenses of the Department of Labor, as authorized by law, ~~[$47,000]~~ *$67,000*, to remain available until expended. This appropriation shall be available in addition to other appropriations to such agency for payments in foreign currencies. *(7 U.S.C. 1704; Department of Labor Appropriation Act, 1985.)*

SFC-2

AMOUNTS AVAILABLE FOR OBLIGATION

	1985		1986		1987	
	FTE	Amount	FTE	Amount	FTE	Amount
Appropriation.....	--	$ 67,000	--	$ 47,000	--	$ 67,000
Sequestered under P.L. 99-177.....	--	--	--	-2,000	--	--
A. Subtotal, appropriation.....	--	$ 67,000	--	$ 45,000	--	$ 67,000
B. Total Available Budget Authority..	--	$ 67,000	--	$ 45,000	--	$ 67,000
Unobligated balance, start of year.....	--	12,056	--	352	--	--
Unobligated balance, end of year.....	--	-352	--	--	--	--
C. Total, estimated obligations.....	--	$ 78,704	--	$ 45,352	--	$ 67,000

BUDGET AUTHORITY BY ACTIVITY

	1985 Comparable FTE	1985 Comparable Amount	1986 Appropriation FTE	1986 Appropriation Amount	1986 Estimate FTE	1986 Estimate Amount	1987 Estimate FTE	1987 Estimate Amount	Change
Foreign service consultation.....	--	$ 67,000	--	$ 47,000	--	$ 45,000	--	$ 67,000	+22,000
Total Budget Authority..	--	$ 67,000 2/	--	$ 47,000	--	$ 45,000 1/	--	$ 67,000	+22,000

1/ Sequestered under P.L. 99-177 $2,000

2/ Excludes $11,704 of prior year authority which was also obligated in 1985.

BUDGET AUTHORITY BY OBJECT

	1985 Actual FTE	1985 Actual Amount	1986 Estimate FTE	1986 Estimate Amount	1987 Estimate FTE	1987 Estimate Amount	Change
Travel and transportation of persons.....	--	$ 67,000	--	$ 45,000	--	$ 67,000	+22,000
Total Budget Authority by object.....	--	$ 67,000	--	$ 45,000	--	$ 67,000	+22,000

SFC-4

SIGNIFICANT ITEMS IN 1986
HOUSE AND SENATE APPROPRIATIONS COMMITTEES REPORTS

No specific recommendations.

AUTHORIZING LEGISLATION

Legislation	Budget Request 1986	Budget Request 1987
Authorizing legislation containing indefinite authority:		
Agricultural Trade Department and Assistance Act of 1954.....	$47,000	$67,000

SFC-5

APPROPRIATION HISTORY

	Budget Estimates to Congress	House Allowance	Senate Allowance	Appropriation
1977.....	70,000	70,000	70,000	70,000
1978.....	70,000	70,000	70,000	70,000
1979.....	200,000	70,000	70,000	70,000
1980.....	70,000	70,000	70,000	70,000
1981.....	70,000	70,000	70,000	70,000
1982.....	200,000	70,000	70,000	67,000
1983.....	200,000	67,000	67,000	67,000
1984.....	200,000	67,000	67,000	67,000
1985.....	200,000	67,000	67,000	67,000
1986.....	47,000	47,000	47,000	47,000
Sequestered under P.L. 99-177.....				2,000
1987.....	$ 67,000			

SFC-6

SPECIAL FOREIGN CURRENCY

1985 Comparable		1986 Appropriation		1986 Estimate		1987 Estimate		Increase or Decrease	
FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
--	$67,000	--	$47,000	--	$45,000 1/	--	$67,000	--	+$22,000

1/ Included in 1986 Estimate above:
Sequestered under P.L. 99-177.....$2,000.

Introduction

The Special Foreign Currency Program provides for direct funding from foreign currencies of travel and related expenses for Foreign Service conferences and consultations. The currencies used are those which the Treasury Department determines to be in excess of normal requirements of the United States. These funds are to remain available until expended. Without dollar outflow, this appropriation contributes toward strengthening the Labor Attache corps and making the Foreign Service more responsive to current Department of Labor needs.

1987 Budget Request

The 1987 budget request would finance a small regional conference of all Labor Attaches stationed in Europe, Near East and South Asia. The conference, which would be held in Pakistan would provide an opportunity to acquaint the attaches with current reporting needs of the Department of Labor, to discuss strategies for achieving U.S. goals in the international labor field, and to consider methods for increasing the effectiveness of the Labor Attache corps.

1986

A small regional conference in Pakistan of Labor Attaches stationed in Europe, Near East and South Asia is scheduled.

1985

The Bureau of International Labor Affairs held a Regional Labor Attache conference in New Delhi.

DEPARTMENTAL MANAGEMENT

ASSISTANT SECRETARY FOR VETERANS
EMPLOYMENT AND TRAINING

	Page No.
Appropriation language and explanation of language change.....	1
Amounts available for obligation.....	2
Summary of changes.....	3
Budget Authority by activity.....	5
Budget Authority by object.....	6
Significant items in FY 1986 House and Senate Appropriations Committee Reports.....	7
Authorizing legislation.....	7
Appropriation history.....	8
Justification:	
Appropriation.....	9
General statement.....	10
Activities:	
State administration.....	11
Administration.....	14
State tables.....	18
Detail of permanent positions.....	20

ASSISTANT SECRETARY FOR
VETERANS EMPLOYMENT AND TRAINING

Not to exceed ~~$132,975,000~~ *$131,525,000* may be derived from the Employment Security Administration account in the Unemployment Trust Fund to carry out the provisions of Title 38 U.S.C. 2001-08 and 2021-26.

ASVET-2

AMOUNTS AVAILABLE FOR OBLIGATION

	1985		1986		1987	
	FTE	Amount	FTE	Amount	FTE	Amount
Available from:						
Trust Funds, State Administration....	--	$109,300,000	--	$119,976,000	--	$118,397,000
Trust Funds, Administration....	282	12,872,000	282	12,999,000	279	13,128,000
Subtotal, trust fund transfer....	282	122,172,000	282	132,975,000	279	131,525,000
Sequestered under P.L. 99-177.....	--	--	-14	-5,718,000	--	--
Total, available from the trust fund.....	282	122,172,000	268	127,257,000	279	131,525,000

SUMMARY OF CHANGES

ASVET-3

Estimated Obligations:	1986	1987	Net Change
Trust Funds	$127,257,000	$131,525,000	+$4,268,000
Full-Time Equivalent:			
Trust Funds	268	279	+11

Explanation of Change:	Trust Funds	
	FTE	Amount
Increases		
A. Built-In:		
Net cost of within-grade promotions becoming effective in 1987	—	+29,000
Net cost of annualized within-grade promotions effective in 1986	—	+37,000
To provide for general merit pay fund contributions	—	+75,000
To provide for increased personnel benefit costs	—	+16,000
To provide for an increase in travel	—	+25,000
To provide for increased cost of rent, communications and utilities	—	+7,000
To provide for increased cost of printing	—	+2,000
To provide for an increase in equipment cost	—	+1,000
To provide for increased cost of other contract services	—	+10,000
To provide for increased cost of supplies	—	+1,000
To provide for increased rental of space	—	+11,000
To provide for increased administrative support services	—	+14,000
To provide for an increase in salary and personnel benefits resulting from statewide compensation plan changes	—	+4,238,000
To provide for an increase in costs of nonpersonnel services and postage for DVOP/LVER state staff	—	+929,000
Subtotal	—	+5,395,000

ASVET-4

	Trust Funds	
	FTE	Amount
B. Program:		
To provide for increased grant monitoring and technical support	+14	+559,000
To provide funding for an additional 114 DVOP state staff to meet levels mandated by law	—	+4,543,000
Subtotal	+14	+5,102,000
Total Increase	+14	+10,497,000
Decreases:		
A. Built-In		
To provide for a decrease in working capital fund costs	—	-14,000
Subtotal	—	-14,000
B. Program:		
Savings achieved thru Productivity Improvements	-3	-85,000
To provide for decrease in the number of LVER positions	—	-6,130,000
Subtotal	-3	-6,125,000
Total Decrease	-3	-6,229,000
Total Change	+11	+4,268,000

BUDGET AUTHORITY BY ACTIVITY

	1985 Comparable		1986 Appropriation		1986 1/ Estimate		1987 Estimate		Change	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
1. State Administration										
a. Disabled Veterans Outreach Program	—	$59,200,000	—	$64,903,000	—	$62,112,000	—	$69,450,000	—	+$7,338,000
b. Local Veterans Employment Programs	—	50,100,000	—	55,073,000	—	52,705,000	—	48,947,000	—	-3,758,000
2. Administration	282	12,872,000	282	12,999,000	268	12,440,000	279	13,128,000	+11	688,000
Total, available from the Trust Fund	282	$122,172,000	282	$132,975,000	268	$127,257,000	279	$131,525,000	+11	$4,268,000

1/ Included in 1986 Estimate
Sequestered under P.L. 99-177.....-$5,718,000 and -14 FTE

ASVET-5

ASVET-6

BUDGET AUTHORITY BY OBJECT

	1985 Comparable	1986 Estimate	1987 Estimate
Total number of full-time permanent positions	282	268	279
Full-time equivalent:			
Full-time in permanent positions	278	268	279
Other positions	0	0	0
Total	278	268	279
Average ES salary	$64,781	$64,999	$64,999
Average GM/GS grade	10.63	10.52	10.57
Average GM/GS salary	$34,361	$35,109	$36,929
Personnel Compensation:			
Permanent positions	$9,686,000	$9,404,000	$9,988,000
Positions other than permanent	0	0	0
Other personnel compensation	158,000	130,000	130,000
Subtotal, personnel compensation	9,844,000	9,534,000	10,118,000
Personnel benefits	1,105,000	1,066,000	1,129,000
Travel and transportation of persons	678,000	599,000	599,000
Transportation of things	15,000	6,000	6,000
Space Rental	255,000	255,000	255,000
Communications, utilities & other rent.	220,000	173,000	181,000
Printing and reproduction	60,000	42,000	44,000
Other services 1/	604,000	709,000	738,000
Supplies and materials	71,000	35,000	36,000
Equipment	20,000	21,000	22,000
Grants	109,300,000	114,817,000	118,397,000
Total, available from the Trust Fund	$122,172,000	127,257,000	131,525,000
Working Capital Fund obligations included above	(347,000)	(454,000)	(454,000)
Advisory and Assistance Services included above	(—)	(—)	(—)

1/ Includes the following amounts for services of other agencies

Department of Labor:			
Bureau of Labor Statistics	(23,000)	(20,000)	(23,000)

SIGNIFICANT ITEMS IN 1986
HOUSE AND SENATE APPROPRIATIONS COMMITTEES REPORTS

Item	Action Taken or to be Taken
No specific actions recommended.	

AUTHORIZING LEGISLATION

Legislation	Budget Request 1986	1987
Authorizing legislation containing indefinite authority		
38 U.S.C. 2001-08 and 2021-26, as amended	$127,257,000	$131,525,000

ASVET-8

APPROPRIATION HISTORY

	Budget Estimates to Congress	House Allowance	Senate Allowance	Appropriation1/
1983.....	111,244,000	111,244,000	111,244,000	111,244,000
1984.....	121,486,000	121,486,000	121,486,000	121,486,000
1985.....	122,172,000	122,172,000	122,172,000	122,172,000
1986.....	124,485,000	132,975,000	124,485,000	132,975,000
Sequestered under P.L. 99-177.....				-$5,718,000
1987.....	$131,525,000			

1/ Prior to 1985 amounts requested of Congress were included in the Employment and Training Administration State Unemployment Insurance and Employment Services Operations and Program Administration accounts; Departmental Management, Salaries and Expenses; and Labor-Management Services Administration, Salaries and Expenses account.

ASSISTANT SECRETARY FOR

VETERANS EMPLOYMENT AND TRAINING

JUSTIFICATION

	1985 Comparable		1986 Appropriation		1986 Estimate		1987 Estimate		Increase or Decrease	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
State Administration Disabled Veterans Outreach Program.....	—	$59,200,000	—	$64,903,000	—	$62,112,000	—	$69,450,000	—	+$7,338,000
Local Veterans Employment Programs....		50,349,000		55,073,000		52,705,000		48,947,000		-3,758,000
Administration.....	282	12,872,000	282	12,999,000	268	12,440,000	279	13,128,000	+11	+688,000
Total Available from the Trust Fund.....	279	$121,178,000	282	$132,975,000	268	$127,257,000 1/	279	$131,525,000	+11	$4,268,000

1/ Included in 1986 Estimate:
Sequestered under P.L. 99-177...-$5,718,000 and -14 FTE.

ASVET-10

GENERAL STATEMENT

The appropriation for the Assistant Secretary for Veterans Employment and Training (OASVET) is requested to maximize employment and training opportunities for veterans. To accomplish this, the ASVET serves as the principal advisor to the Secretary on the formulation and implementation of all policies and procedures affecting veterans. This activity exercises functional supervision over the execution of veterans' counseling, training and placement policies through the public employment service and other employment and training programs. The ASVET also promotes compliance by Federal contractors, conducts a veterans outreach and public information program, directs the implementation of special national demonstration projects to serve the unique needs of special veteran target groups and provides management assistance and training services to State Programs and special national projects staff. In addition, investigators handle claims from veterans, reservists and National Guard members for restoration of jobs, seniority and/or pension rights denied by their employers due to absences from the workplace for military service. The ASVET is also responsible for the Disabled Veterans Outreach Program (DVOP) and the Local Veterans Employment Representative (LVER) Program. These activities are financed by the Unemployment Trust Fund as authorized by the Social Security Act.

STATE ADMINISTRATION

ASVET-11

	1985 Comparable		1986 Appropriation		1986 Estimate		1987 Estimate		Increase or Decrease	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
DVOP	—	$59,200,000	—	$64,903,000	—	$62,112,000 1/	—	$69,450,000	—	+$7,338,000
LVER	—	$50,100,000	—	$55,073,000	—	$52,705,000	—	$48,947,000	—	-$3,758,000

1/ Included in 1986 Estimate above:
Sequestered under P.L. 99-177.....DVOP $2,791,000
.....LVER $2,368,000

Introduction

Services are provided to veterans by State Employment Services (Job Service) agencies on a priority basis in accordance with the provision of Chapter 41, 38 U.S.C. and related Federal regulations. The Disabled Veterans Outreach Program (DVOP) mandated by Section 2003 A of that Chapter provides for special staffing to perform outreach and employability development services to disabled and other severely disadvantaged veterans to assist them in securing employment. The U.S Code prescribes that funding be provided for one DVOP specialist per each 5,300 disabled and Vietnam-era veterans residing in each State. In addition to DVOP services provided to veterans, Section 2004 of the referenced U.S.C. Chapter requires that Local Veterans Employment Representatives (LVER) positions be maintained in Job Service local offices based on need as determined by the Secretary. The Secretary's regulation has provided for full-time LVER's in offices which serve 1,000 or more veterans annually unless a waiver is granted based on a demonstrated lack of need. Other offices have part-time LVER positions based on the percentage of the full-time criterion. The primary function of a LVER is to supervise the local office's services to veterans and ensure that procedures are followed to deliver priority service to veterans. LVER's also may provide direct services to veterans, particularly job development and referrals to services.

1987 Budget Request

The total funds requested represent the total necessary cost of formula-dictated DVOP specialists and the requested number of full-time equivalent LVER positions. In addition to the direct program positions, funding is provided for justified administrative overhead in the form of staff and non-personnal services. All of the funds requested are for grants to states; none are for costs associated with the Federal program administration costs. The total amounts for each program reflect estimates of costs based on FY 1985 actual expenditures, adjustments made during the FY 1986 grants process, and the economic assumptions underlying the FY 1987 budget. The number of DVOP positions required in 1987 is determined by applying the statutory formula to the population data provided by the Veterans Administration (VA) and Department of Defense (DOD). The number of LVER positions associated with this request was determined by dividing the amount available by the FY 1987 estimated average cost per staff year. The request for LVER's will support 1,319 state positions at a cost of $37,109 each.

Emphasis will be placed in FY 1987 on LVER and DVOP specialists' continued involvement in job development, training program development, and placement activity. Also, emphasis will continue on involvement of these specialists in coordinated efforts with military installations where veterans are separated from active duty, JTPA service providers, community-based service organizations, and other supportive service agencies to ensure the provision of comprehensive services to veterans.

ASVET-12

1986

The staffing levels for both programs were affected by the reductions necessary to reach the spending limitations under the Deficit Control Act of 1985, P.L. 99-177. Compliance with statutory staffing requirements will be achieved primarily through waivers of full-time LVER requirements in local offices with good performance records, and funding part-time LVERs instead of full-time, and re-programming of LVER funds to support DVOP specialists positions required by the formula in Section 2004 of Title 38.

LVERs and DVOP staff will continue to focus upon the most seriously disadvantaged veterans, such as the long-term unemployed eligibles for the (Emergency) Veterans' Job Training Act program jointly administered by the Office of the Assistant Secretary for Veterans' Employment and Training (OASVET) and the Veterans Administration (VA). Improved targeting upon disabled veterans is also expected, utilizing special labor force data produced by the Bureau of Labor Statistics and provided to the States in the 2nd quarter of FY 1986.

1985

The number of DVOP staff was reduced from the 1984 level in accordance with the population data and legislated formula. The number of LVER staff increased over the FY 1984 level, as planned, to bring the complement of LVERs up to the levels provided by the Secretary's regulations. This approach was begun in FY 1984 when the LVER/DVOP grant application/award processes were first established to administer these programs.

Both LVER and DVOP staff were heavily involved in on-the-job training program development and placement activities under the Emergency Veterans' Job Training Act (EVJTA) program jointly administered by the OASVET and the VA. The EVJTA program exceeded its goal of placement of 30,000 long-term unemployed Vietnam and Korean-era veterans, primarily in private sector employment. Overall, the Vietnam-era veterans' unemployment rate continued to compare favorably to that of the national labor force.

Changes for 1987

Activity Changes:

Built-in:	
Legislation statewide salary compensation changes.....	$4,238,000
Non personnel services.....	929,000
Subtotal.....	$5,167,000
(DVOP).....	(+2,795,000)
(LVER).....	(+2,372,000)
Net Program.....	-1,587,000

DVOP Staff

Proposal: To provide funding for 114 DVOP State staff positions.

Rationale: This increase will allow the program to operate at levels required by Section 2004 Title 38.

Effect: This increase will allow more disabled veterans to be served.

Base:
FTE: 1,942 Estimate: $64,907,000

Program Increase:
FTE: +114 Estimate: +$4,543,000

LVER Staff

Proposal: To decrease the LVER staff and associated support staff.

Rationale: To reflect a reduction in staffing due to a demonstrated lack of need based on local office overall veteran services performance. This is made evident by offices having exceeded their quantitative performance standards.

Program Effects: Federal regulations provide that services be provided to veterans on a proirity basis by all local office staff. Therfore, reduction in the LVER is not expected to result in a decrease of services

Base:
FTE: 1,532 Estimate: $55,077,000

Program Decrease:
FTE: -213 Estimate: -$6,130,000

ASVET-14

ADMINISTRATION

1985 Comparable		1986 Appropriation		1986 Estimate		1987 Estimate		Increase or Decrease	
FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
282	$12,872,000	282	$12,999,000	268	$12,440,000 1/	279	$13,128,000	+11	+$688,000

1/ Included in 1986 Estimate above:
Sequestered under P.L. 99-177.....-$559,000 and -14 FTE.

Introduction

Pursuant to Chapters 41, 42, and 43, Title 38 U.S.C., the Department has consolidated veterans' programs under the Office of the Assistant Secretary for Veterans Employment and Training (OASVET). Since the establishment of the office in 1981, the ASVET has administered veterans' program activities through the Veterans Employment and Training Service (VETS) agency. The VETS agency administers grants to States for the Disabled Veterans Outreach Program (DVOP) and the Local Veterans Employment Representative (LVER) program, and grants and contracts authorized by Section 441 of the Job Training Partnership Act (JTPA). VETS staff located in every State promote compliance by Federal contractors with affirmative action requirements for disabled and Vietnam-era veterans, conduct a nationwide outreach and public information campaign, develop regulations governing State agencies' services to veterans and monitor their compliance with the regulations, and work closely with Veterans Administration (VA) staff to ensure the successful implementation of special job training and vocational education programs funded through the VA. Also investigators handle claims from veterans, reservists and National Guard members for restoration of jobs, seniority and/or pension rights denied by their employers due to absences from the place of employment for military service, and provide assistance in securing the Reemployment Rights guaranteed by Title 38.

1987 Budget Request

A high organizational goal of the OASVET continues to be to reduce veterans reemployment rights case processing time and thereby reduce the year-to-year backlog of unresolved cases. The OASVET staff will continue to emphasize amicable resolutions for complaints, rather than litigation by the Department of Justice. This would expedite case processing and would reduce litigation costs.

Administration of grants-to-states for the DVOP and LVER programs will continue to be a major activity of the VETS agency, as will administration of JTPA Section 441 grants to Governors, designated State agencies and local government agencies in service delivery areas. The DVOP and LVER programs are described in detail in a preceding section; the JTPA Section 441 program is described in the Federally Administered Programs section of the ETA's Training and Employment Services narrative.

The request level includes an increase of $559,000 to provide adequate resources to supply administrative support consistent with 1985 levels. These funds are needed to support the 14 FTE that would be necessary to achieve this goal.

These funds will also allow the agency to achieve a reduction of three from the FY 1986 level and still maintain service levels by improving staff efficiency through cross-training and increased usage of computer resources. The agency will also seek legislative changes to eliminate information collection requirements that create a workload that has little or no demonstrable positive effect on the veterans' labor force.

The agency will also continue efforts begun in FY 1986 with the Department of Defense to significantly improve the transition services provided to soon-to-be released service persons to improve their ability to assimilate into the civilian job market. Acceptance by the DOD agencies of greater responsibility for preparing soon-to-become veterans for the civilian job market will assist in maintaining service levels despite the planned reduction in Local Veterans Employment Representatives, the State agency specialists who provided the bulk of such services in the past.

1986

The agency will continue efforts to achieve deficit reduction targets by identifying cost-effective means of achieving workload goals, such as elimination of single purpose publications in favor of multi-purpose fact sheets, increased sharing of clerical resources among field duty stations, and applying more stringent criteria to determinations of need for filling vacancies. Travel will also be reduced. Monitoring and technical assistance visits to Job Service, Job Partnership Act offices, and employees will decrease by 10%. To ensure maintenance of effort by the Job Service, greater emphasis will be placed on monitoring LVER's performance of their mandated local office supervision responsibilities.

The agency will cooperate with the Employment and Training Administration (ETA) in the maintenance of a Job Service program management information system to collect data required by legislation and grant management needs. The OASVET will continue to rely on State's maintenance of ADP systems and input of that data into the system maintained by ETA. State agency Performance Standards will continue to be negotiated between the VETS field staff and State agency administrators.

The agency continues to administer LVER and DVOP grants to the States, and grants to Governors, service delivery areas, and non-profit organization under Section 441 of the Job Training Partnership Act. A compendium of descriptions of the special veterans employment projects funded under the JTPA will be produced to enable all interested parties to read about the types of projects being operated for recently separated, disabled and Vietnam-era veterans.

The agency expects to publish regulations concerning Federal Contractors' requirement to collect, maintain and provide to the Department statutorily required information concerning annual hiring activity vis-a-vis disabled and Vietnam-era veterans.

The agency will also continue its efforts with the Veterans Administration to place in on-the-job training long-termed unemployed Korean and Vietnam-era veterans eligible under the (Emergency) Veterans' Job Training Act, which was extended from its original expiration date in FY 1985.

1985

The agency continued to emphasize the placement of long-term unemployed Vietnam and Korean-era veterans under the Emergency Veterans' Job Training Act program which began in FY 1984. The program exceeded its goal of 30,000 placed in permanent jobs before the end of FY 1985.

ASVET-16

The agency completed its consolidation of the national office into smaller quarters, thereby achieving savings by merger of functions and reduction of space. The agency also achieved the goal of eliminating small regional offices. The reduction to 7 regional offices did not adversely affect services to veterans because the offices are strictly administrative and do not provide direct services to veterans.

The OASVET implemented a competitive grant application system for distribution of 80 percent of the JTPA Title IV-C funds under the governing regulations. The system produced effective grant programs due to the competitive structure, built-in preference for those applicants which matched or exceeded the grant amount with local funds, and built-in bias against projects which would duplicate existing programs. Matching funds provided by the grantees nearly doubled the resources available for these projects.

An agreement with the Veterans Administration and Bureau of Labor Statistics for joint funding of a special study and report on disabled and Vietnam theater veterans' labor force situation was implemented. Early in 1986, the BLS will make the data available. The data will assist the OASVET and its grantees in targeting resources where the needs of such veterans are greatest.

Changes for 1987

Activity Changes:

Built-in:

Personnel costs, net cost of annualized within-grade promotions effective in 1986, net cost of within-grade promotions effective in 1987, increased general merit pay fund contributions and increased cost of personnel.....+$157,000

Nonpersonnel cost including increases for cost of rent, communication and utilities, cost of miscellaneous contracts, increases for the cost of supplies, equipment, cost of administrative support servies, travel and printing.....+$ 71,000

Subtotal.....+$214,000

Net Program.....+$474,000

Administration Staff

Proposal: To provide an additional 14 FTE and $559,000.

Rationale: This increase will allow the program to provide administrative support at levels consistent with that achieved in FY 1985.

Program Effects: The increased resources will enable the VES to maintain the level of operations previously achieved prior to the reduction in the area of monitoring and technical assistance.

Base:
FTE: 282 Estimate: $13,227,000

Program Increase:
FTE: +14 Estimate: +$ 559,000

ASVET-17

Productivity Increase

Proposal: To reduce 3 positions and related funding as a result of productivity enhancements.

Rationale: The decrease represents efficiencies to be achieved through the increased automation of processing workload data, and cross training of staff.

Program Effects: This decrease have no adverse effect on program operations.

Base:
FTE: 282 Estimate: $12,668,000

Program Increase:
FTE: -3 Estimate: -$ 85,000

ASVET-18

DISABLED VETERANS OUTREACH PROGRAM
AND
LOCAL VETERANS EMPLOYMENT REPRESENTATIVE
STATE TABLES

STATE	1985 ACTUAL	1986 ESTIMATED	1987 REQUEST
ALABAMA	1,970,312	1,976,858	2,038,497
ALASKA	652,378	775,400	799,577
ARIZONA	1,546,895	1,848,069	1,905,691
ARKANSAS	1,303,071	1,338,804	1,380,548
CALIFORNIA	13,055,514	14,122,600	14,562,944
COLORADO	1,775,021	2,021,656	2,084,692
CONNECTICUT	1,666,810	1,699,512	1,752,503
DCMA	395,839	395,356	407,683
DELAWARE	312,685	281,561	290,340
FLORIDA	3,440,152	4,291,859	4,425,679
GEORGIA	1,992,745	2,129,320	2,195,713
HAWAII	525,210	581,953	600,098
IDAHO	650,595	854,273	880,919
ILLINOIS	3,899,972	4,358,314	4,494,206
INDIANA	2,514,826	2,536,000	2,615,072
IOWA	1,500,746	1,414,011	1,458,100
KANSAS	1,365,176	1,175,671	1,212,328
KENTUCKY	1,260,720	1,096,695	1,130,890
LOUISIANA	1,606,788	1,668,501	1,720,525
MAINE	638,848	648,027	668,232
MARYLAND	1,748,497	1,748,339	1,802,852
MASSACHUSETTS	2,593,046	2,870,515	2,960,018
MICHIGAN	5,083,753	5,078,122	5,236,458
MINNESOTA	2,318,280	2,467,852	2,544,800
MISSISSIPPI	1,049,575	1,084,623	1,118,442
MISSOURI	2,246,605	2,419,470	2,494,910
MONTANA	569,209	609,677	628,687
NEBRASKA	742,478	865,905	892,904
NEVADA	598,834	608,763	627,744
NEW HAMPSHIRE	545,199	533,484	550,113
NEW JERSEY	2,374,564	2,631,770	2,713,829
NEW MEXICO	802,078	797,859	822,736
NEW YORK	7,275,128	7,763,484	8,005,550
NORTH CAROLINA	3,109,575	2,835,533	2,923,945
NORTH DAKOTA	489,433	523,962	540,300
OHIO	3,814,103	4,447,852	4,586,537
OKLAHOMA	2,495,112	2,395,463	2,470,154
OREGON	1,745,849	2,041,804	2,105,467
PENNSYLVANIA	5,740,739	5,602,806	5,777,501
RHODE ISLAND	504,858	471,522	486,224

ASVET-19

DISABLED VETERANS OUTREACH PROGRAM
AND
LOCAL VETERANS EMPLOYMENT REPRESENTATIVE
STATE TABLES

STATE	1985 ACTUAL 1/	1986 ESTIMATED 2/	1987 REQUEST 2/
SOUTH CAROLINA	1,605,647	1,385,129	1,428,317
SOUTH DAKOTA	304,578	348,494	359,360
TENNESSEE	1,657,846	1,663,418	1,715,283
TEXAS	7,615,547	7,743,306	7,984,743
UTAH	962,705	903,160	931,320
VERMONT	337,320	422,380	435,550
VIRGINIA	2,078,161	2,217,211	2,286,344
WASHINGTON	2,813,605	2,872,092	2,961,644
WEST VIRGINIA	796,839	848,114	874,559
WISCONSIN	2,140,331	2,350,238	2,423,519
WYOMING	740,820	651,015	671,314
PUERTO RICO	302,961	383,685	395,649
VIRGIN ISLANDS	22,424	15,512	15,996
TOTAL	109,300,000	114,817,000	118,397,000

1/ Reflects Federal obligations.
2/ These are planning estimates and are subject to change.

STANDARD FORM 306
July 1968, Bureau of the Budget
Circular No. A-11, Revised.
306-108

ASVET-20

DETAIL OF PERMANENT POSITIONS

	FY 1985 Comparable	FY1986 Estimate	FY 1987 Estimate
Executive level I			
Executive level III			
Executive level IV			
Executive level V	1	1	1
Subtotal	1	1	1
ES-6			
ES-5			
ES-4			
ES-3			
ES-2			
ES-1	1	1	1
Subtotal	1	1	1
GS-18			
GS-17			
GS-16			
GS/GM-15	4	4	4
GS/GM-14	17	17	13
GS/GM-13	65	65	65
GS-12	96	96	96
GS-11	20	20	20
GS-10	1	1	1
GS-9	8	8	8
GS-8	2	2	2
GS-7	2	2	2
GS-6	29	29	30
GS-5	33	33	33
GS-4	2	2	3
GS-3	1	1	--
GS-2	--	--	--
GS-1	--	--	--
Subtotal	280	280	277
Ungraded	--	--	--
Total Permanent Positions 1/	282	282	279
Unfilled positions, end of year	--	--	--
Total Permanent Employment, end of year	282	282	279
1/ Worker-Trainee Opportunity Program positions included above	(--)	(--)	(--)

DEPARTMENTAL MANAGEMENT

WORKING CAPITAL FUND

	Page No.
Amounts available for obligation	WCF- 1
Summary of changes	WCF- 2
Obligations by activity	WCF- 4
Obligations by object	WCF- 5
Justification:	
Estimates	WCF- 6
General statement	WCF- 7
Activities:	
Administrative management services	WCF- 8
Field services	WCF-12
Facilities management	WCF-18
National Capital Service Center	WCF-20
Penalty mail and telecommunications	WCF-23
Detail of permanent positions	WCF-26

The Department of Labor's Working Capital Fund was established on June 29, 1957 by Public Law 85-67 and amended by Public Laws 86-703 and 91-204 to provide authority, without fiscal year limitation, for expenses necessary for providing certain services and activities on a centralized basis.

The Fund is defined as an intra-governmental revolving fund. Revolving funds are those authorized specifically by law to finance a cycle of operations in which the expenditures generate receipts which are available for continuing use without annual reauthorization by the Congress.

The Departmental Agencies include in their budget requests an amount required to finance the Fund, and to cover the services to be obtained from the Working Capital Fund service organizations. This amount is subsequently advanced to the Working Capital Fund after enactment of the Department's appropriation.

AMOUNTS AVAILABLE FOR OBLIGATION

	1985		1986		1987	
	FTE	Amount	FTE	Amount	FTE	Amount
Estimate.....	733	$57,982,000	726	$57,406,000	722	$59,330,000
Comparative transfer from:						
Employment Training Administration.	+6	+219,000				
Employment Standards Administration.	+5	+182,500				
Occupational Safety & Health Administration.....	+5	+182,500				
Mine Safety & Health Administration.	+1	+36,500				
Bureau of Labor Statistics.....	+5	+182,500				
Office of the Secretary.....	+11	+450,000	+11	+450,000		
Labor Management Services.....	--	+20,000	--	+20,000		
Comparative transfer to:						
Office of Inspector General.....	-7	-250,000				
Mine Safety and Health Administration..	-1	-37,000	-1	-37,000		
Total, estimated obligations.....	758	$58,968,000	736	$57,839,000	722	$59,330,000

WCF-2

SUMMARY OF CHANGES

	1986	1987	Net Change
Estimated Obligations:			
Total	$57,839,000	$59,330,000	+$1,491,000
Full-Time Equivalent:			
Total	736	722	-14

Explanation of Change:

Increases:

	FTE	Amount
A. Built-In:		
Net cost of within-grade promotions becoming effective in 1987	--	+195,000
Net cost of annualized within-grade promotions effective in 1986	--	+214,000
To provide for net increased cost of program related travel	--	+15,000
To provide for increased cost of transportation of things	--	+2,000
To provide for increased cost of rent	--	+265,000
To provide for increased cost of rental of equipment	--	+136,000
To provide for increased cost of Penalty Mail	--	+591,000
To provide for increased cost of printing	--	+15,000
To provide for net increased cost of contractual services	--	+260,000
To provide for increased cost of supplies	--	+54,000
To provide for increased cost of replacing equipment	--	+12,000
Sub-total	--	+1,759,000

	FTE	Amount
B. Program:		
To provide additional funding for rental of office space..... (1986 Base: FTE 736 Obligations: $59,598,000)	--	+151,000
Subtotal.....	--	+151,000
Total Increase.....	--	+1,910,000
Decreases:		
B. Program:		
Savings achieved thru Productivity Improvements. (1986 Base: FTE 736 Obligations: $59,598,000)	-14	-419,000
Subtotal.....	-14	-419,000
Total Decrease.....	-14	-419,000
Total Change.....	-14	+1,491,000

OBLIGATIONS BY ACTIVITY

	1985 Comparable FTE	1985 Comparable Amount	1986 Appropriation FTE	1986 Appropriation Amount	1986 Estimate FTE	1986 Estimate Amount	1987 Estimate FTE	1987 Estimate Amount	Change FTE	Change Amount
1. Administrative management services.....	266	$ 15,037,000	152	$10,316,000	152	$10,316,000	149	$10,588,000	-3	+$272,000
2. Field services.....	439	18,634,000	388	17,661,000	388	17,661,000	381	18,076,000	-7	+415,000
3. Facilities management....	28	6,311,000	25	5,515,000	25	5,515,00	25	5,639,000	--	+124,000
4. National Capital Service Center.....	25	986,000	161	5,914,000	171	6,347,000	167	6,436,000	-4	+89,000
5. Penalty Mail and telecommunications..	--	18,000,000	--	18,000,000	--	18,000,000	--	18,591,000	--	+591,000
Total Obligations.....	1/ 758	$ 58,968,000 1/	726	$ 57,406,00	2/ 736	$57,839,000 2/	722	$59,330,000	-14	+1,491,000

1/ Included in 1985 Comparable above:

Comparative transfer from ETA $219,000 and 6 FTE.
Comparative transfer from ESA $182,500 and 5 FTE.
Comparative transfer from OSHA $182,500 and 5 FTE.
Comparative transfer from MSHA $ 36,500 and 1 FTE.
Comparative transfer from BLS $182,500 and 5 FTE.
Comparative transfer from OSEC $450,000 and 11 FTE.
Comparative transfer from LHS $ 20,000 and -- FTE.
Comparative transfer to OIG -$250,000 and -7 FTE.
Comparative transfer to MSHA -$ 37,000 and -1 FTE.

2/ Included in 1986 Estimate above:

Comparative transfer from OSEC $450,000 and 11 FTE.
Comparative transfer from LHS $ 20,000 and -- FTE.
Comparative transfer to MSHA -$ 37,000 and -1 FTE.

Obligations by Object

	1985 Comparable	1986 Estimate	1987 Estimate
Total number of full-time permanent positions	729	713	699
Full-time equivalent:			
Full-time in permanent positions	727	705	691
Other positions	31	31	31
Total	758	736	722
Average ES salary	$ 66,232	$ 66,232	$ 66,232
Average GM/GS grade	8.73	8.73	8.73
Average GM/GS salary	$ 26,859	$ 27,500	$ 27,913
Average salary of ungraded positions	$ 23,250	$ 23,805	$ 24,162
Personnel Compensation:			
Permanent positions	$ 18,571,000	$ 19,259,000	$ 19,369,000
Positions other than permanent	670,000	802,000	802,000
Other personnel compensation	347,000	421,000	421,000
Subtotal, personnel compensation	$ 19,588,000	$ 20,482,000	$ 20,592,000
Personnel benefits	2,123,000	2,242,000	2,397,000
Travel and transportation of persons	372,000	374,000	390,000
Transportation of things	60,000	57,000	59,000
Standard level user charges	4,599,000	4,545,000	4,886,000
Communications, utilities, and other rent	22,501,000	21,506,000	22,212,000
Printing and reproduction	360,000	372,000	387,000
Other services 1/	7,220,000	6,648,000	6,727,000
Supplies and materials	1,568,000	1,317,000	1,372,000
Equipment	577,000	296,000	308,000
Total, obligations by object	$ 58,968,000	$ 57,839,000	$ 59,330,000

1/ Includes the following amounts for services of other agencies:

Health and Human Services	$ 779,000	$ 779,000	$ 788,000

DEPARTMENTAL MANAGEMENT

WORKING CAPITAL FUND

JUSTIFICATION

	1985 Comparable		1986 Appropriation		1986 Estimate		1987 Estimate		Increase or Decrease	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
Administrative management services.....	266	$ 15,037,000	152	$ 10,316,000	152	$ 10,316,000	149	$ 10,588,000	-3	+$272,000
Field services...	439	18,634,000	388	17,661,000	388	17,661,000	381	18,076,000	-7	+415,000
Facilities management....	28	6,311,000	25	5,515,000	25	5,515,00	25	5,639,000	--	+124,000
National Capital Service Center..	25	986,000	161	5,914,000	171	6,347,000	167	6,436,000	-4	+89,000
Penalty Mail and telecommunications	--	18,000,000	--	18,000,000	--	18,000,000	--	18,591,000	--	+591,000
		1/		1/		2/		2/		
Total Obligations..	758	$ 58,968,000	726	$ 57,406,000	736	$ 57,839,000	722	$ 59,330,000	-14	+1,491,000

1/ Included in 1985 Comparable above:

Comparative transfer from ETA $219,000 and 6 FTE.
Comparative transfer from ESA $182,500 and 5 FTE.
Comparative transfer from OSHA $182,500 and 5 FTE.
Comparative transfer from MSHA $ 36,500 and 1 FTE.
Comparative transfer from BLS $182,500 and 5 FTE.
Comparative transfer from OSEC $450,000 and 11 FTE.
Comparative transfer from LMS $ 20,000 and -- FTE.
Comparative transfer to OIG -$250,000 and -7 FTE.
Comparative transfer to MSHA -$ 37,000 and -1 FTE.

2/ Included in 1986 Estimate above:

Comparative transfer from OSEC $450,000 and 11 FTE.
Comparative transfer from LMS $ 20,000 and -- FTE.
Comparative transfer to MSHA -$ 37,000 and -1 FTE.

General Statement

This fund is available without fiscal year limitation and provides services on a centralized basis for the following Departmental activities (29 U.S.C. 563):

1. Administrative management services — Provides a broad range of administrative services including space management, printing management, supply and property management, accounting and payroll oversight, and employee safety and health services.

2. Field services -- Provides centralized services from the Department's ten Regional Offices to all Agencies of the Department located in the regions. The services include personnel management, voucher audit, and administrative services.

3. Facilities management -- Manages the Frances Perkins Building, which is the Department's headquarters, under the terms of an agreement with the General Services Administration.

4. National Capital Service Center -- Provides a range of centralized services to agencies of the department located in the national capital area. These services include personnel, accounting, payroll and voucher payments, procurements, and contracting.

5. Penalty mail and telecommunications -- Provides for departmental mail payments to the U.S. Postal Service and telecommunications payments to the General Services Administration.

Financing -- The fund is reimbursed by the Agencies for which centralized services are performed at rates which return in full all expenses of operation, including reserves for accrued annual leave and depreciation of equipment.

WCF-8

ADMINISTRATIVE MANAGEMENT SERVICES

1985 Comparable		1986 Appropriation		1986 Estimate		1987 Estimate		Increase or Decrease	
FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
266	$15,037,000	152	$10,316,000	152	$10,316,000	149	$10,588,000	-3	+$272,000

Introduction

This activity directs a modern, cost-effective program for providing centralized administrative type services to all Agencies of the Department of Labor (DOL) and provides policy and guidance in administering administrative programs and services for the following:

1. Accounting and Payroll Oversight
2. Space Management
3. Supply and Property Management
4. Printing Management
5. Emergency Preparedness
6. Employee Safety and Health Services

1987 Budget Request

This budget submission supports the priorities, goals and objectives of the Office of the Assistant Secretary for Administration and Management (OASAM) in the FY 1987 budget year. This request reflects a reduction of 3 staff years related to the Department's productivity improvements. This activity will continue to provide its administrative and program services in support of the Department's programs and will continue to direct a cost-effective program emphasizing accountability and efficiency in executing all administrative and management services.

This activity will direct, control, and provide oversight of the Department's integrated accounting and payroll systems in accordance with generally accepted accounting principles procedures, and directives established by the General Accounting Office (GAO), Department of Treasury and Office of Management and Budget (OMB). This activity will continue giving priority and emphasis to enhanced financial policies, procedures and systems, specifically cash management, credit management/debt collection, space management, travel management, internal controls and other resource utilization improvements under Reform '88. In addition, this activity will conduct reviews of broadly-defined accounting systems to assure conformance to GAO standards and OMB guidelines, as specified in the Financial Managers' Financial Integrity Act and continue to prepare and submit required financial reports to the Office of Management and Budget (OMB) and Treasury on a Departmental-wide basis.

Administrative-type services will be provided to DOL Agencies in functional areas such as space allocations and renovations, printing and reproduction, supply and property, telecommunications, emergency preparedness, employee safety and health programs. Historical records of the Secretary of Labor's files will be maintained. Resources will be directed in priority areas which provide the greatest opportunities to improve management and reduce costs while maintaining an effective level of services to client agencies.

1986

Priority and emphasis will continue on financial policies, procedures, and systems, particularly in the managerial areas of cash, credit/debt collection, space, travel, internal controls, and other resource utilization improvements.

In 1986 accounting, payroll, and financial management guidance and systems support will continue to be provided to the Department. This activity will continue to provide administrative-type services, to provide employee safety and health services, to direct the emergency preparedness program, and to maintain historical records for the Department.

1986 Accomplishments

Modernization of the personnel and payroll systems will allow increased utilization of interactive data base management computer systems, with mini-computers in the regions. This activity will continue to coordinate decentralized operations and will continue to prepare and submit required financial reports to OMB and Treasury on a Department-wide basis.

This activity will continue to play a leading role in the effective implementation of financial and internal control systems. In addition, this activity will continue to develop and issue financial policy directives, and conduct an indepth review of the broadly defined accounting system of the Department for conformance to GAO standards and OMB guidelines.

This activity will continue the space reduction efforts with particular attention to releasing leased space consolidating staff into government-owned facilities.

Telecommunications management will focus on reducing the cost of telecommunication services by providing technical assistance to the Department while monitoring agency progress to reduce line and instrument per person ratios as well as equipment and usage costs. Additional efforts will be applied to modernizing the telecommunications system while insuring compatability of equipment and sufficient flexibility to adapt to the emerging office automation technologies.

Supply and property management will continue to promote the use of rehabilitated furniture. Attention will continue to focus on improving the Departmental Property Management System, the Vehicle Management Program, and the efficient administration of service contracts.

In the printing area, the capabilities of the new digital and laser equipment will be fully operational. Utilization of this equipment will improve the quality of service and provide better management control of DOL's forms production process.

1985

This activity continued to coordinate and improve financial operations. The Integrated Personnel Payroll System (IPPS) Task Force developed and implemented several on-line modules for the newly implemented interactive Payroll Maintenance System. Major work was substantially completed on the interface of the payroll system with the new automated Personnel Management Information System (PERMIS). Limited and parallel testing was completed, and training provided to users. Also, this activity completed a limited review of the Integrated Accounting System operations in accordance with the Federal Managers's Financial Integrity Act, and provided extensive support to the GAO Management Review team.

WCF-10

Under this activity's leadership, the Department exceeded the Treasury cash management savings goal by almost 80% in FY 1985. The interest savings resulted from cash management improvements initiated since FY 1983, including the establishment of electronic fund transfers of grants payments in the Treasury Financial Communications System for the DOL employment and training, statistical, and occupational safety and health programs; use of lock box operations for receipt of monies in three agencies; increased participation in direct deposit of payroll checks, and electronic transfer of disbursements for major procurements.

The Department was the first major agency to issue comprehensive debt collection regulations covering administrative offsets, interest penalties, assessment of administrative costs, and credit reporting. Combined with the salary offset regulations, now in final clearance, these regulations will place DOL in the forefront of the President's credit management initiative.

This activity began efforts to reduce the space utilization rate for the Frances Perkins Building from over 220 square feet per person to an average of less than 150 square feet. Similar space reduction programs are underway in New York and San Francisco in conjunction with GSA's request that DOL relocate. DOL, during the process of the moves, will reduce its office space utilization rate to 135 square feet per person.

While striving to meet the President's space utilization reduction goal, DOL is concerned that the productivity of its employees was not endangered. To achieve both goals, DOL purchased systems furniture to accommodate the space utilization goal as well as help employees maintain and hopefully increase productivity. In one of the first systems furniture installations, managers have reported improved productivity and morale and decreased use of sick leave.

In printing management a laser printer was installed which allows on-demand printing of forms and schedules and will reduce warehousing costs.

Supply and property management focused on improving vehicular management, property accountability, assisting the transition to Customer Supply Center, and the disposition of excess property.

The Safety and Occupational Health Program made significant progress toward insuring a safe and healthful working environment for all the employees of the DOL. Particular attention was devoted to the development of a DOL Safety and Health training course for managers, supervisors, and safety and health committee members.

This activity continued receiving, evaluating, and routing each piece of secretarial mail according to urgency, appropriate signature level of response, and intra-departmental coordination.

Changes for 1987

Activity Changes:

Built-in:

Personnel costs including net cost of within-grade promotions effective in 1987, net cost of annualized within-grade promotions effective in 1986,and increased cost of personnel benefits.....+$ 78,000

Nonpersonnel costs including increased program related travel, increased cost of transportation of things, increased cost of rent, increased cost of equipment rental, increased cost of printing services, increased cost of contractual services, increased cost of supplies and increased cost of equipment replacement.....+$255,000

Subtotal.....+$333,000

Net Program.....-$ 61,000
FTE..... -3

Administrative Management Services

Proposal: A reduction of 3 full-time staff and related funding in the national office's administrative support services.

Rationale: To reflect savings achieved through the Department's productivity improvements.

Program Effects: This decrease is part of overall management efforts to reduce administrative costs.

Base:
FTE: 152 Estimate: $10,649,000

Program Decrease:
FTE: -3 Estimate: -$ 90,000

Proposal: To provide an increase of $29,000 for the rental of office space.

Rationale: This increase will cover Administrative Management Services fair share of space charges as estimated by GSA.

Program Effects: These additional funds will avoid reductions in other areas, i.e., personnel, travel, contracts, etc.

Base:
FTE: 152 Estimate: $10,649,000

Program Increase:
FTE: -- Estimate: +$ 29,000

WCF-12 FIELD SERVICES

1985 Comparable		1986 Appropriation		1986 Estimate		1987 Estimate		Increase or Decrease	
FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
439	$18,634,000	388	$17,661,000	388	$17,661,000	381	$18,076,000	-7	+$415,000

Introduction

This activity provides leadership, planning, direction, and coordination for administrative and management support services to all departmental organizations throughout the DOL regions; represents the Assistant Secretary for Administration and Management in all administrative and management matters within the region; and assists in the development, implementation and modifications of the Department's policies affecting field operations.

A full range of administrative and management field services is provided to ensure that all regional offices are organized and staffed to provide services in a responsive, economical, efficient, and effective manner in support of the Department's programs in the field, including:

1. Financial management services to implement departmental financial policies and standards, and ensure financial accountability and control of resources alloted to all Agencies in the regions; processing travel, payroll, and other vouchers for payment; fulfilling the accounting, budgetary, and financial support requirements of all DOL Agencies in the field.

2. Personnel management services such as recruitment, staffing, job classification, labor-management relations, and job training administered in accordance with applicable laws, regulations, and directives. Anticipated changes in the Civil Service Retirement system will require extensive implementation efforts in FY 1986.

3. Equal employment programs to promulgate affirmative action principles to achieve adequate representation of all groups of persons in society at all levels of employment in all occupations in accordance with an approved Affirmative Action Plan and to handle informal and formal complaints of discrimination in accordance with laws, regulations, and directives.

4. Procurement, property and space management, communications, mail services, forms and publication services, and general services which include telephone installation, GSA car rentals, office renovations, equipment repairs, etc.

5. Data processing services, improvement of ADP and telecommunication integration, technical assistance, analysis, and programming for DOL agencies with the use of departmental employees and contractors as feasible.

6. Management and system analysis and services designed and directed toward assisting managers in attaining maximum utilization of staff and other resources.

1987 Budget Request

This budget request provides for a reduction of 7 full-time staff related to the Department's productivity improvements. Departmental priorities, goals and objectives in the FY 1987 budget year include major emphases on accountability, efficiency, and control in executing administrative and management services. Emphasis continues to focus on the varied Reform '88 initiatives including cash management, debt collection, internal control, travel management, paperwork reduction, and space management.

- Debt collection will continue as a priority item in the field with implementation of new debt collection directives to further enhance the system.

- Administration of procedures governing personnel systems in the field will be reviewed and/or revised to ensure proper operating procedures as the Air Force Personnel System is implemented. As new personnel systems are developed and old systems are enhanced and automated, there will be an emphasis on maintaining adequate internal controls.

- The field will participate in the development and testing of various facets of the Integrated Accounting System enhancement project. ADP and office automation skills will be expanded to facilitate these improvements.

- Essential functions will be sustained in the areas of personnel management, equal employment opportunity, labor-management relations, safety and health services, accounting and voucher payment, ADP systems maintenance, and procurement.

- The essential administrative and management services will continue to be provided on a timely basis with respect to travel and commercial vouchers processed, personnel actions completed, and procurement requests transacted;

- Pre-occupancy and work-site safety inspections will continue at this budget level.

1986

Field Services provides a full range of administrative, technical, and managerial support services for all Agencies of the Department in its regional offices and all field stations. This activity represents the Assistant Secretary for Administration and Management (ASAM) and that office (OASAM) in all administrative and management matters and implements the directives of ASAM in the field. Field Services ensures that all regional offices are organized and staffed to provide services in a responsive, economical, efficient, and effective manner in support of the Department's programs in the field including:

- Financial management services to implement departmental financial policies and standards, and ensure financial accountability and control of resources alloted to all agencies in the regions; processing travel, payroll and other vouchers for payment; fulfilling the accounting, budgetary, and financial support requirements of all DOL agencies in the field.

- Personnel management services such as recruitment, staffing, job classification, labor-management relations, and job training administered in accordance with applicable laws, regulations, and directives.

- Equal employment programs to promulgate affirmative action principles for achieving adequate representation of all groups of persons in society at all employment levels and occupations in accordance with an approved Affirmative Action Plan and to handle informal and formal complaints of discrimination in accordance with laws, regulations and directives.

- Procurement, property and space management, communications, mail services, forms and publication services and general services which include telephone installation, GSA car rental, office renovations, equipment repairs, etc.

- Data processing services, improvement of ADP and telecommunications integration, technical assistance, analysis, and programming for DOL agencies with the use of departmental employees and contractors as feasible.

- Management and systems analysis and services designed and directed toward assisting managers in attaining maximum utilization of staff and other resources.

1986 Accomplishments

Departmental priorities for administrative and management services will be implemented in the field. The following will be areas of major emphasis:

- The Department's debt collection system initiatives will continue in the field.

- Regional vulnerability assessment reviews resulted in recommendations for corrective actions to be taken to include: imprest fund and cash control and deposit safeguards for cash management; and assurance of prompt and aggressive action for debt collection.

- Financial and internal control initiatives required by Reform '88 are well underway and will continue. Internal control plans were established and the status will be monitored. Special emphasis will be given to improved procurement controls.

- Improved productivity through office automation will continue by evaluating and planning current and future information technology.

- Space reduction efforts will continue to make better use of space through redesign and planning.

In addition to the above specific accomplishments, the following administrative and management support services will continue:

- Directing a comprehensive personnel program including staff assistance to management of all field agencies, processing personnel actions, classification and audit of positions, and review of performance appraisals, in conjuction with the implementation of the Air Force Personnel System.

- Administering the Department's equal employment opportunity program in the field, and assisting the agencies in developing special emphasis programs (Upward Mobility, Hispanic employment and Federal Women's programs).

- Directing the Department's safety and health programs for all DOL field employees.

- Payment services to all field agencies including travel and commercial vouchers, and imprest fund services.

- Technical assistance in ADP systems design, programming, and documentation; and operation of regional data processing facilities.

- Providing procurement, property and space management, communications, and mail services.

- Providing advice and assistance to managers in program analysis and systems development to maximize utilization of staff and financial resources.

1985

This activity successfully carried out its service functions and implemented some new projects. Such activities involved automating a number of functions in FY 1985. At a minimum, each region implemented PERMIS, PCAS and MUSE. In addition, this activity continued space reduciton efforts which brought over half regions utilization rates below the interim goal of 150 square feet per person. Half the regions reported telecommunication equipment ratios below the goals of 1:2 lines per employees and 1:1 instruments to employees. Nearly all regions completed 100% of their OCR workplan.

Changes for 1987

Activity changes:

Built-in:

Personnel costs including net cost of within-grade promotions effective in 1987, net cost of annualized within-grade promotions effective in 1986, and increased cost of personnel benefits.....+$147,000

Nonpersonnel costs including increased cost of program related travel, increased cost of transportation of things, increased cost of rent, increased cost of equipment rental, increased cost of printing services, increased cost of supplies, increased cost of other services, and increased cost of equipment.....+$355,000

Subtotal.....+$502,000

Net Program.....-$ 87,000
FTE..... -7

Field Services

Proposal: To reduce 7 full-time staff and related funding for the reduction in field services.

Rationale: To reflect savings achieved through the Department's productivity improvements.

WCF-16

Program Effects: This decrease is part of overall management efforts to reduce administrative costs.

Base:
FTE: 388 Estimate: $18,163,000

Program Decrease:
FTE: -7 Estimate: -$ 209,000

Proposal: To provide an increase of $122,000 for the rental of office space.

Rationale: This increase will cover Field Services fair share of space charges as estimated by GSA.

Program Effects: These additional funds will avoid reductions in other areas, i.e., personnel, travel, contracts, etc.

Base:
FTE: 388 Estimate: $18,163,000

Program Decrease:
FTE: -- Estimate: +$ 122,000

Work/Performance Measures:	1985	1986	1987
Population served	11,672	11,600	11,300
Personnel			
No. Surveyed Positions Audited	2,092	2,092	1,883
No. Classification Actions Completed	3,560	3,560	3,204
No. Merit Staffing Certificates Provided	1,272	1,272	1,145
No. OPM Certs Provided Managers	440	440	396
Financial Management			
Commercial Vouchers Processed	47,914	47,914	47,914
Travel Vouchers Processed	59,872	59,000	57,230
Purchase Orders and Fedstrip Requests Received	21,152	21,152	21,152
Grants Management			
Financial Integrity Reviews of Internal Controls	590	590	590
Financial Integrity Reviews of Accounting Practices	852	852	852
OSHA/DVOP Grant Technical Assistance Provided	284	284	284
Safety and Health	210	210	210
Work-sites Inspection	1,070	1,070	1,070
Job Corps Centers Inspection	120	100	80
Reports of Unsafe/Unhealthful Conditions Rec'd & Investigated	210	210	210
Reports Resolved	192	192	192
Labor-Management Relations			
Labor Grievances Appealed to Step 2	324	324	324
NCFLL ULPS Filed	186	186	186

WCF-18

FACILITIES MANAGEMENT

1985 Comparable		1986 Appropriation		1986 Estimate		1987 Estimate		Increase or Decrease	
FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
28	$6,311,000	25	$5,515,000	25	$5,515,000	25	$5,639,000	--	+$124,000

Introduction

Effective October 1, 1982, the responsibility for the management of the Frances Perkins Building (FPB) was transferred from GSA to the Department. On June 11, 1982, an agreement was reached between the Secretary of Labor and the Administrator of GSA. The agreement delegates to the Secretary of Labor the authorities vested in the Administrator of GSA by Reorganization Plan No. 18 of 1950, the Federal Property and Administrative Services Act of 1949, the Public Building Act of 1959, and the Public Buildings Amendment of 1972, to perform functions with respect to the operation, maintenance, repair, preservation, alteration, furnishing, equipment and custody of the FPB. These functions were delegated without limitation except as specified by the agreement or required by law, executive order or regulations promulgated pursuant to law. During FY 1983 GSA made available a level of resources through an adjustment to DOL's Standard Level User Charge for use by this activity to administer the FPB consistent with the amount that GSA would have allocated if the building remained under GSA jurisdiction and transferred 28 ceiling slots in support of the operation.

1987 Budget Request

This activity will direct and administer a cost-effective program emphasizing accountability and efficiency in executing the building maintenance functions. Priority and emphasis will continue to be placed on improving administrative operations. This activity will continue research and analysis of innovative and cost effective approaches aimed at reducing energy consumption and improving overall efficiency in the building operations areas. This activity will perform essential functions in the operation and maintenance of the Frances Perkins building.

1986

This activity will provide repairs and alterations, cleaning, landscape maintenance, protection, and preventive maintenance of the Frances Perkins Building within available resource levels. Emphasis will be placed on leadership, planning, and directions of essential operation and maintenance functions. A cost-effective program for management of the Frances Perkins Building will continue.

1986 Accomplishments

During 1986, this activity plans to complete the installation of high pressure sodium vapor lights in the public garage areas to enhance lighting as well as decrease the level of energy consumption within the facility. Special emphasis will be placed on providing major in-house alteration services to accommodate over 800 additional building tenants in the space reduction effort. Improved security and safety and health measures for vulnerable areas like the Day Care Center will be implemented. The efficient and cost effective delivery of janitorial, landscape maintenance, protection, and other facility maintenance and preservation services will be the central thrust of this activity.

1985

A new security program to obtain suitability clearances on employees working under a building services contract was initiated. The solar film installation made during FY '84 proved to be a highly cost effective measure. The payback cost of installation was attained four months prior to estimates and also will result in additional savings from lower demand charges in FY '86. Concentrated janitorial and trash removal specifications tailored to the specific requirements of the Frances Perkins Building were developed to provide improved services at a reduced cost. All other maintenance and operations services continued to be performed in a prudent and efficient manner.

Changes for 1987

Activity Changes:
Built-in:

Personnel costs including net cost of within-grade promotions effective in 1987, net cost of annualized within-grade promotions effective in 1986, and increased cost of personnel benefits	+$ 25,000
Nonpersonnel costs including increased program related travel, increased cost of transportation of things, increased cost of rent, increased cost of equipment rental, increased cost of printing services, increased cost of contractual services, increased cost of supplies and increased cost of equipment replacement offset by decreases in administrative costs	+$ 99,000
Subtotal	+$124,000
Net Program	--
FTE	--

WCF-20 NATIONAL CAPITAL SERVICE CENTER

1985 Comparable		1986 Appropriation		1986 Estimate		1987 Estimate		Increase or Decrease	
FTE	Amount	FTE	Amount	FTE 1/	Amount 1/	FTE	Amount	FTE	Amount
25	$986,000	161	$5,914,000	171	$ 6,347,000	167	$6,436,000	-4	+$89,000

1/ Included in 1986 Estimate above:

Comparative transfer from the Office of the Secretary.....+$450,000 and +11 FTE.

Comparative transfer from Labor-Management Services.....+$ 20,000 and --- FTE.

Comparative transfer to Mine Safety and Health Administration.....-$ 37,000 and -1 FTE

Introduction

The National Captial Service Center (NCSC) was established within OASAM and delegated authority and assigned responsibilities for administrative support services at the National Office level. This action was in response to the initiatives for administration and management improvements of Reform 88, the Grace Commission Report and the Cabinet Council on Management and Administration (CCMA). The Labor Department, along with other cabinet agencies, was directed to establish a single delivery organization to achieve savings in administrative costs through consolidation of separate administrative offices in the National Capital area. The Service Center will provide services to Labor Department agencies in the Washington, D. C. area similar to those provided by WCF Field Services to those agencies in the regions. The administrative support services include such functions as personnel, payroll, administrative payments, procurement and general administrative services. This activity will direct a modern, cost-effective program for providing centralized administrative-type services.

1987 Budget Request

Provision of quality service to clients will be the primary goal of NCSC for FY 1987. Particular attention will be given to meeting the needs of client Agencies in those functions newly transferred to NCSC during the FY 1986 consolidation. The Customer Service Improvement Program (CSIP) will continue to utilize a client advisory council to provide client perspective and advice on the quality and level of service provided. CSIP will also provide regular reports on the status of service requests. The customer service surveys will be expanded to provide assessments of the service provided in several functional areas.

Enhancement of 1986 productivity improvement initiatives will constitute a major effort in 1987. Operating components will undertake a variety of productivity improvement efforts, including the use of quality circles and automation projects. A refined productivity measurement program will be implemented during FY 1987.

1986

Under the direction of the Assistant Secretary for Administration and Management, improvement initiatives covering financial management, procurement, and personnel are being undertaken. In particular, the economies which can be achieved through consolidation of functions and the streamlining of administrative and management activities have been given priority status.

The development and implementation of a quality assessment program for service delivery is part of the overall Customer Service Improvement Program (CSIP) for personnel, procurement and financial management. The CSIP reports will give the status of service requests along with the Quantified Performance and Workload Measures (QPWMs) which provide data relative to achieving the standards which are established. The quality assessment effort will attempt to refine these measurements, to make assessments more agency specific, expand standards to all functions, and better track improvements.

To enhance service delivery, accountability, and management control, NCSC will automate several work processes. The staff intensity of various processes needs to be reduced without jeopardizing either quality or regulatory adherence. There is a need to increase operational response and accuracy along with efficiently tracking workload. The automation will also help to refine and monitor office and individual staff productivity/response/and accuracy standards.

In the personnel area of operations, NCSC will complete final implementation of the Personnel Management Information System (PERMIS) in concert with the Directorate of Personnel Management (DPM) schedule and undertake requisite post implementation activities. Operating personnel will also be developing a strategy for greater standardization in order to reduce processing burdens.

In the financial management area of operations, NCSC will contribute to the overall Department of Labor (DOL) goals related to improvement in the areas of travel management, debt collection, cash management, and internal controls. NCSC will also participate in ADP administrative steering committees and work groups responsible for developing a travel management system and enhancing or replacing the Integrated Accounting System.

In the procurement area of operations there will be continuing efforts to enhance the APPS (PCAS II) system including production of more management reports and a reduction of operating costs through programming efficiency changes.

In the budget area, NCSC will continue to provide quality budget support to Departmental Management and Labor Management Services components.

In the management support area, NCSC will provide a broad range of management services designed to improve the quality and/or level of support provided to client agencies. Services include management studies and reviews geared toward organizational and productivity improvements either at the NCSC or client levels.

1986 Accomplishments

During 1986, consolidation of additional finance and small purchase functions into NCSC will be completed. Extensive planning and discussions with program Agencies will take place in order to ensure the orderly transfer of staff and functions to the NCSC. Careful attention will be paid to designing and implementing procedures within NCSC and the Agencies to provide accurate, timely service appropriate controls and information for program managers.

During 1986, the services provided by the NCSC were expanded to include budget support to DM clients through transfer of the Office of Budget and Resource Management Services to NCSC. This will allow the NCSC to provide a full range of adminstrative support activities to major clients.

WCF-22

During 1986, NCSC will implement five new automated systems. An invoice tracking system will track the status of invoices for contracts between the procurement and finance offices, and a travel tracking system will track the status of travel advances and travel vouchers. Three labor-intensive work processes will also be automated. The assignment of parking permits will be automated, as well as the updating of the telephone directory. Finally, the maintenance of the file of advance applicants for jobs will be automated.

1985

Operating functions of OASAM were organized to establish the core of the National Capital Service Center. During FY 1985 additional reviews were undertaken to assess the administrative functions which could be consolidated in NCSC to take advantage of economies of scale.

An aggressive "customer relations" program was initiated to keep clients informed of the status of service requests and to receive their advice.

The offices of operating personnel, procurement, and financial management updated their client projected service requests, kept clients abreast of the latest policy and/or procedural developments, and gathered feedback on the quality of service delivery.

Changes for 1987

Activity Changes:
Built-in:

Personnel costs including net cost of within-grade promotions effective in 1987, net cost of annualized with-in grade promotions effective in 1986, and increased cost of personnel benefits.....+$159,000

Nonperonnel costs including increased program related travel, increased cost of transportation of things, increased cost of rent, increased cost of equipment rental, increaed cost of printing services, increased cost of contractual services, increased cost of supplies and increased cost of equipment replacement.....+$ 50,000

Subtotal.....+$209,000

Net Program.....-$120,000
FTE..... -4

National Capital Service Center

Proposal: A reduction of 4 full-time equivalent and related funding in administrative support services.

Rationale: To reflect savings achieved through the Department's productivity improvements.

Program Effects: This decrease is part of overall management efforts to reduce administrative cots.

Base:
FTE: 171 Estimate: $6,347,000

Program Decrease
FTE: -4 Estimate: -$120,000

PENALTY MAIL AND TELECOMMUNICATIONS

WCF-23

1985 Comparable		1986 Appropriation		1986 Estimate		1987 Estimate		Increase or Decrease	
FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
--	$18,000,000	--	$18,000,000	--	$18,000,000	--	$18,591,000	--	+$591,000

Introduction

This activity provides for departmental mail payments to the U.S. Postal Service (USPS) and telecommunications payments to the General Services Administration (GSA) and commercial vendors. The cost of official mail is based on a combination of metered mail data, internal departmental surveys conducted several times during the year and on USPS surveys. The internal mail surveys are conducted by the mail managers of each responsible office within the Department and provide the primary basis for determining the volume and cost of official mail usage.

The Federal Telecommunications System (FTS) is under the overall management of GSA and provides voice, record, data, and facsimile services under point-to-point and switched networks. The General Services Administration, in coordination with the Department of Labor, surveys Agency requirements for the utilization of telecommunications facilities. The Department of Labor, in turn, submits to GSA a listing of all telecommunications services received which is the basis for GSA charges to the Department.

1987 Budget Request

Activities will continue to develop policy and systems to ensure that the Department's mail and telecommunications costs represent actual volume and services used; and provide information and guidance to departmental agencies on cost effective mail and telecommunications systems and practices.

This activity will support the overall departmental programs and activities at the national and regional levels by establishing an effective and economical mail system for official mail disseminated to public, private, and government sectors, excluding mail generated by the State Employment Security Agencies and paid for by the Employment and Training Administration from program funds. To reduce mail costs and to improve managerial accountability for mail costs, this activity will continue to install meter mail systems in additional regional office mailrooms. Preliminary evaluation of the mail meter accountability systems intalled indicated net cost savings. This activity will ensure that DOL is assessed its fair share of annual mail costs on penalty mail as established by the United States Postal Service, monitor and improve internal mail sampling techniques and departmental agencies' mailing procedures to minimize charges for carrier service, and account for all parcel post type mail on a factual basis, removing unqualified material from the penalty mail survey and eliminating a suspected source of distortions in the survey and estimating procedures.

The telecommunications program will continue efforts to control costs and will provide a variety of telecommunications services for expediting the official business of the departmental agencies. This activity will continue a program within one selected departmental agency, concentrating on commerical toll abuse, in order to develop cost effective methods and to gauge the effectiveness of the expanded Department-wide telecommunications cost reduction program; and continue use of higher-speed facsimile equipment to reduce per minute surcharge for transmission of data over FTS.

WCF-24

1986

Telecommunications and mail systems will continue to strive toward more cost-effective systems and practices.

1986 Accomplishments

The decision was made to expand the use of postage meters as part of a cost control and accountability device. Three regional offices will be converted as suitable systems are developed for them.

This activity will continue efforts to improve through new and improved automated technologies and monitoring mail management on a regular basis; continue an ongoing program with a network of mail managers representing program agencies and major operating components of the Department; provide appropriate telecommunications capabilities to facilitate departmental program activities at minimum cost; monitor and evaluate the effectiveness of the Department-wide telecommunications cost-reduction program; and prepare quarterly summary reports reflecting achievements and status of cost reduction programs as reported by Agency national offices.

1985

This activity implemented a more effective mail management program which included improvement of the mail survey procedures and installation of mail metering accountability system equipment in the Frances Perkins Building and two additional regional office mailrooms.

The telecommunications program for 1985 carried on its telecommunications cost-control efforts within national offices. Programs included (a) improving telecommunications management system; (b) increasing guidance and assistance to departmental agencies on the use of cost-effective telecommunications; (c) reviewing and evaluating departmental telecommunications cost-control policies and systems within national offices; and (d) extending the cost-control program to certain targeted regional offices and activities.

Changes for 1987

Penalty Mail and Telecommunications

Activity changes:	
Built-in:	
Personnel costs	--
Nonpersonnel costs including increased cost of penalty mail	+$591,000
Subtotal	+$591,000
Net Program	--

WCF-25

Workload Statistics

	1985	1986	1987
Penalty Mail			
Administrative mail:			
Letters	18,000,000	18,000,000	18,000,000
Packages	290,000	250,000	250,000

STANDARD FORM 306
July 1968, Bureau of the Budget
Circular No. A-11, Revised.

WCF-26

DEPARTMENTAL MANAGEMENT
WORKING CAPITAL FUND
DETAIL OF PERMANENT POSITIONS

	FY 1985 Comparable	FY 1986 Estimate	FY 1987 Estimate
ES-4	1	1	1
ES-3	1	1	1
ES-2			
ES-1			
Subtotal	2	2	2
GS-18			
GS-17			
GS-16			
GS/GM-15	19	19	19
GS/GM-14	24	24	24
GS/GM-13	73	73	73
GS-12	120	120	120
GS-11	64	61	57
GS-10	2	2	2
GS-9	39	36	36
GS-8	10	10	10
GS-7	77	77	74
GS-6	73	73	73
GS-5	115	115	108
GS-4	38	38	38
GS-3	17	17	17
GS-2	2	2	2
GS-1	--	--	--
Subtotal	673	667	653
Ungraded	54	44	44
Total Permanent Positions	729	713	699
Unfilled positions, end of year	-4	-8	-15
Total Permanent Employment, end of year	725	705	684
Allocation Accounts			
Employment & Training Administration	(+6)		
Employment Standards Administration	(+5)		
Occupational Safety & Health Administration	(+5)		
Mine Safety & Health Administration	(+1)		
Bureau of Labor Statistics	(+5)		
Office of Inspector General	(-7)		
Mine Safety & Health Administration	(-1)	(-1)	(--)
Office of the Secretary	(+11)	(+11)	(--)

TUESDAY, MARCH 4, 1986.

EMPLOYMENT AND TRAINING ADMINISTRATION

TRAINING AND EMPLOYMENT SERVICES
STATE UNEMPLOYMENT INSURANCE AND EMPLOYMENT SERVICE OPERATIONS

WITNESSES

ROGER D. SEMERAD, ASSISTANT SECRETARY OF LABOR
ROBERTS T. JONES, DEPUTY ASSISTANT SECRETARY OF LABOR
JANICE M. SAWYER, ADMINISTRATOR, OFFICE OF FINANCIAL CONTROL AND MANAGEMENT SYSTEMS
MARY ANN WYRSCH, DIRECTOR, OFFICE OF BUDGET

Mr. NATCHER. At this time we take up the budget request for the Employment and Training Administration. We have before the Committee Mr. Roger D. Semerad, the Assistant Secretary of Labor.

Mr. Semerad, before you give us your statement tell us who you have with you at the table there please.

Mr. SEMERAD. I am pleased to have my Deputy, Bob Jones, and Mary Ann Wyrsch, our budget officer, Department of Labor.

Mr. NATCHER. Go right ahead.

Mr. SEMERAD. We have other senior staff from the Employment and Training Administration including Janice Sawyer from our budget operation.

Mr. NATCHER. Thank you. As I understand, you first want to take up with us the supplemental, and then you will go to your regular request for fiscal year 1987. Go right ahead now.

SUMMARY OF THE 1986 REQUESTS

Mr. SEMERAD. Thank you very much for the opportunity to present our proposed changes in the fiscal year 1986 appropriations. The changes pertain to the activities funded under the Training and Employment Services account and the State Unemployment Insurance and Employment Service accounts.

In the Training and Employment Services account, we are asking for changes affecting a number of programs under the Job Training Partnership Act. First we are asking for a supplemental of $74 million to provide a one-time increase in funding for the dislocated worker program. The additional funds would be available for distribution by the Secretary, to better target resources and to assure adequate service for trade impacted and other dislocated workers.

Second, we are proposing a rescission of $208 million in the summer youth employment and training program. This will affect the program in the summer of 1987. We are proposing to replace the current formula distribution of funds to all areas with a procedure that will target the funds to those areas with critical youth unemployment problems, generally large urban areas. This change

will permit substantial savings while maintaining service to those areas with the greatest need.

Third, we are proposing a rescission in the funding for the Job Corps of $197 million. This rescission will allow an orderly phase-down to the new capacity level provided by the fiscal year 1987 request. The phase-down will emphasize retention of the most effective centers. The new capacity level will approximate that of the program before the last buildup in 1977. Fourth, a $2 million rescission is proposed for the native American, migrant, and seasonal farm workers and veterans programs to bring 1986 funding to JTPA statutorily determined levels. Also requested is a $9.6 million rescission which would discontinue additional funding beyond that provided by governors to the four rural concentrated employment program service delivery areas.

We are proposing a reduction of $3.9 million in funds that support employment service operations, this reduction to be accomplished through cost savings and management improvements resulting from reduction in many Federal requirements.

The proposed changes will reduce the 1986 appropriations for employment and training by $345.9 million to a level of $6.3 billion.

Mr. Chairman, my colleagues and I would be pleased to answer any questions you and the members of the Committee have regarding our proposed revisions.

[The statement and biography of Mr. Semerad follow:]

Statement by Roger D. Semerad
Assistant Secretary of Labor
House Appropriations Subcommittee
Fiscal Year 1987 Budget Request
Training and Employment Services
State Unemployment Insurance and Employment Service Operations
Fiscal Year 1986 Supplemental and Rescission Proposals

Mr. Chairman, and Members of the Subcommittee, thank you for this opportunity to appear before you. The budget which we are discussing today requests a number of changes to currently available 1986 funding in the Training and Employment Services and State Unemployment Insurance and Employment Service Operations accounts. Together, these requests would reduce 1986 appropriations for employment and training by $345.9 million, in addition to $256.5 million in reductions associated with the Balanced Budget and Emergency Deficit Control Act of 1985, in these accounts.

Training and Employment Services

In the Training and Employment Services account, authorized primarily by the Job Training Partnership Act, both a supplemental and a rescission are requested.

In the Grants to States activity, a $74 million supplemental is requested for the Dislocated Worker Assistance Program, which remains a major concern of this Administration. This supplemental substitutes for the resources which would have been required for weekly benefits under the ineffective Trade Adjustment Assistance program. The supplemental includes requested appropriation language which allows the Secretary to distribute these resources through June 30, 1987 at his discretion, thereby focusing them on areas with the most severe displacement problems. The additional funds requested, together with discretionary funds available in the 1986 appropriation, will increase the total resources available for the discretionary use of the Secretary to approximately $100 million. Approximately 78,500 participants will be served as a result of the supplemental, many of whom are expected to be trade-affected workers.

For the Summer Youth Employment and Training Program, a $208.0 million rescission is requested and legislative language sought which will target all of the program's resources for the 1987 summer to areas with the most severe youth unemployment problems. These accompany a number of other program changes designed to provide training, especially literacy training when needed, in addition to a summer job.

For the Job Corps, a number of program changes are proposed to decrease costs and improve effectiveness. Foremost among these will be the closing of poor performing, higher costing centers. As a result, the training capacity of the program will be reduced from the 40,500 present level to 22,000, the level maintained before the Fiscal Year 1977 program expansion. A rescission of $196.5 million in 1986 funding, now available but not needed at the lower capacity level, is requested.

Rescissions totaling $2.0 million are proposed for the Native Americans, Migrant and Seasonal Farmworkers and Veterans' programs to bring 1986 funding to JTPA statutorily-determined levels. Also requested is a $9.6 million rescission of funds appropriated to supplement the Sub-State allocations of the four selected Rural Concentrated Employment Program service delivery areas.

State Unemployment Insurance and Employment Service Operations

For the 1986 Employment Services allotments to States, our request would reduce the authority to spend from the Unemployment Trust Fund by $3.9 million. In conjunction with reductions required by the Balanced Budget and Emergency Deficit Control Act of 1985, total program funding for the program year beginning July 1, 1986 would be $754.2 million, approximately 3 percent below the level of the program year that began July 1, 1985. This reduction is part of an overall effort to restrain Federal spending, especially in those programs where there is flexibility to implement cost savings and other management improvements to maintain services. Because the reduction would not take place before July 1, 1986, States would have time to plan for the reduced level of resources.

This concludes my statement, Mr. Chairman. My staff and I will be happy to answer any questions you, or members of the Subcommittee, may have.

Biographical Sketch

ROGER DALE SEMERAD

Assistant Secretary of Labor
for Employment and Training

Employment and Training Administration
Department of Labor

Roger D. Semerad was appointed Assistant Secretary of Labor for Employment and Training by President Reagan on October 16, 1985. As Assistant Secretary, Mr. Semerad is responsible for the administration of the Job Training Partnership Act, Federal Unemployment Insurance, the United States Employment Service, the Job Corps, Trade Adjustment Assistance, and the Bureau of Apprenticeship and Training.

Prior to his appointment, Mr. Semerad had served at the executive and administrative levels in both the public and private sector. He was Executive Vice President and a Trustee of the Brookings Institute, Chairman of the Board of the 70001 Training Employment Institute, Executive Secretary of the National Committee's Policy Advisory Councils, Executive Director of the 1980 Republican Platform Committee and Staff Assistant to Presidents Nixon and Ford with Domestic Council responsibility for education, labor and veterans affairs. He has also served on advisory councils with responsibility for education and labor.

A graduate of Union College in Schenectady, New York, he also completed one year study of public policy development at the National Institute for Public Affairs in Washington, D.C.

Mr. Semerad resides in Kensington, Maryland with his wife, Kate and daughter, Samantha.

IMPACT OF GRAMM-RUDMAN

Mr. NATCHER. Pursuant to the 1986 order under Gramm-Rudman, your agency loses. I believe $148,735,000 in JTPA funds $15,116,000 in other programs, $106,333,000 in the state operations account, and $4,764,000 from your own salaries and expenses account.

What effect will these reductions have on these programs?

Mr. SEMERAD. The overall reductions, Mr. Chairman, we believe maintain the function and the purpose. And with improvements in how we deliver service, we hope to increase the ability of the Department of Labor to fulfill not only the mandated legislation, but do it in a more efficient way. So I think that, as the Secretary has made very clear to the Committee and certainly very clear to me, he is looking for greater yield from those funds that we do have available to us.

Mr. NATCHER. When you get the transcript back, put in a little more detail now in your statement with regard to the loss of these funds.

[The information follows:]

IMPACT OF GRAMM-RUDMAN-HOLLINGS

In the Training and Employment Services (TES) account, which includes JTPA programs and the TAA program a reduction of $149,853,000 occurred under the Gramm-Rudman-Hollings target. The impact of this reduction is felt mainly in the Grants to States and Job Corps programs (94 percent of the total reduction). The effect of the reduction in these programs is a 4 percent decrease in participants and, in addition, in the Job Corps, the closing of 2 to 6 centers. The remainder of the program show either small decreases in services to participants, less program support or a deferral of new, innovative projects.

A reduction of $13,998,000 in the Community Service Employment for Older Americans (CSEOA) appropriation results in a decrease in the total number of job opportunities available for the 1985 level of 63,780 to 60,950.

Reductions of $106,633,000 were made in 1986 in the State Unemployment Insurance and Employment Service Operations appropriation as a result of P.L. 99-177. The processing of workload will be accomplished with the reduced resources. The effect of the reduction will be seen in delays in processing workloads, in acquisition of ADP equipment and other purchases and the reduction of staff in some States.

In the Program Administration account, $4,764,000 was sequestered under P.L. 99-177. ETA expects to accomplish the required reductions without a reduction-in-force or staff furloughs. ETA staffing will be permitted to decrease by attrition during the year to an end-of-year level of 1,748 reflecting the termination of all Trade Act provisions and the phase out of the WIN program. FTE utilization is expected to be 1,766.

Mr. NATCHER. Will there be any employee furloughs in your agency in 1986?

Mr. SEMERAD. Mr. Chairman, no. We expect to get to the necessary level without any furloughs or RIFs, or anything else like that. Most of that will happen through normal attrition.

DISLOCATED WORKERS

Mr. NATCHER. You are proposing a 1986 supplemental of $74 million for the displaced worker program, one of the very few discretionary supplementals throughout the Government. How were you able to convince OMB to approve this supplemental, Mr. Semerad?

Mr. SEMERAD. Well, Mr. Chairman, with the phaseout of the trade adjustment assistance program, we recognized that there is

clearly great need. And there are indeed workers that are dislocated because of trade imbalances and their effects on their industries. I think in recognizing the discontinuation of the TAA, we still have an important job to do with those workers.

And we are asking for this one-time amount to continue to address that. We would like those workers better phased into the Title III program so that we can have retraining and other kinds of efforts that will speed up the return of those dislocated workers to the economy. We think that targeting that money better through Title III will produce overall a more healthy situation and give us a better chance to succeed and help those workers.

Mr. NATCHER. How did you arrive at the figure of $74 million? What method did you use?

Go right ahead.

Mr. JONES. The original decision was based on $100 million. Congress did appropriate $26 million for continuation of the training portion of the TAA program. So the $74 and the $26 accomplish the entire one hundred million amount. And it is in fact a substantial increase in services that would be provided to that particular clientele.

Mr. NATCHER. Has this been an effective program?

Mr. SEMERAD. I think that, Mr. Chairman, the efforts under TAA have been effective in the sense that they have indeed provided income maintenance. The reports would suggest that the of retraining and speeding up the re-entry of these dislocated workers into the work force have not been particularly enhanced.

Mr. NATCHER. Excuse me, just a minute. What about the Title III program? Has it been effective?

Mr. SEMERAD. I think largely we have a lot to learn on that.

We feel that in those efforts, especially the ones that we are doing under the Secretary's discretionary account, are making quite a contribution. It is not as fast as we would like, but I think it is on the right track. And I am not sure that we have discovered a foolproof system to do this.

My position on it, Mr. Chairman, is that if you are out of work, you are out of work. It really does not matter whether or not it was because of trade problems or the advent of new technology. You need some help to get restarted.

And we think we have greater flexibility under Title III with the successes that we are showing there, than we have under the Trade Act which is basically just income maintenance.

Mr. NATCHER. Last year, as you know, the Administration asked Congress to reduce the displaced worker program to $100 million, and we agreed to go along. Now, only a few months later, you are back asking us to approve a substantial increase. How do you explain this apparent contradiction?

Mr. SEMERAD. I am going to defer to my Deputy, Mr. Chairman, since I have been here only six months.

Mr. NATCHER. Go right ahead, tell us about this.

Mr. JONES. As you recall, Mr. Chairman, the original request to reduce the Title III program was due to a very substantial amount of carryover funds that were in the program. And in fact, we were increasing service years in the following year. The addback now is not related to that issue. It is related, as the Assistant Secretary

has indicated, to the phaseout of the trade adjustment program and now adding a new clientele to that program, phasing them into the training side of that effort.

Mr. NATCHER. Do we still have in some instances large amounts of carryover balances in some of the states?

Mr. JONES. Yes, sir, we still do. It is going down slowly. But we are still running in the neighborhood of in 35 percent carrying out of program year 1986. That is down from the previous 50 percent that we have seen earlier. But it is still substantially higher than most other programs.

BILL LANGUAGE

Mr. NATCHER. You are requesting special appropriations bill language that would, in effect, eliminate the statutory allocation formula with respect to the $74 million. Why is this necessary?

Mr. JONES. The request to remove the language, Mr. Chairman, is based strictly on the ability to target those funds into more specific industrial dislocations as they occur, rather than spread them throughout the country into areas that, while they may have some dislocations, are not nearly as severe as those that may occur in particular pockets or industries.

We have seen through the Secretary's discretionary account through the last couple of years a significant number of needs that appear and a very distinct prioritization of those. And we think, with this amount of money, a great deal more yield can be obtained as the ability to target it is advanced.

Mr. NATCHER. If we approved this request, wouldn't the authorizing committee object?

Mr. JONES. I think that is a decision we could not make, Mr. Chairman. We have not heard from them that they either would object or would support it.

Mr. NATCHER. All right.

Mr. Conte, I yield to you.

DISLOCATED WORKER DISCRETIONARY FUNDING

Mr. CONTE. Thank you, Mr. Chairman.

I welcome you to the Committee today, Mr. Semarad. You state that one of the reasons for the supplemental is to increase the discretionary funds available to the Secretary up from the $25 million currently available to nearly $100 million, which is the same level you request for FY-87. How many applications for the Secretary's discretionary fund did the department receive in FY-84? And how many went unfunded? And what was the amount that you expended?

Mr. SEMERAD. Mr. Conte, we will have to check with that specifically and provide that to you later.

Mr. CONTE. Similarly for the program year 1985, which is a little more than half over, how many discretionary funds did the Department have available, how many applications has the department received? And how many do you anticipate will be unfunded?

Mr. SEMERAD. We had $55 million available to us. And in terms of the number of applications, I do not know. We will have to check those specific numbers.

Mr. CONTE. How many do you anticipate will be unfunded?

Mr. SEMERAD. Yes, sir. I have seen those numbers. I do not have that with me. We can try to track that.

[The information follows:]

STATUS OF TITLE III DISCRETIONARY FUNDING

	Proposals received	Proposals funded	Proposals unfunded	Proposals under review
PY 1984	107	71	36	
PY 1985 (to date)	103	45	45	13

In PY 1984, $55.7 million was obligated and in PY 1985, $55.25 million is available, of which $28.87 million was obligated by the end of February 1986. At this time, it is difficult to predict how many additional applications will be received and reviewed through the remainder of PY 1985. However, we expect all the available PY 1985 funds to be obligated by the end of the program year.

Mr. CONTE. The reason I am asking these questions is how do we know that there is sufficient demand for discretionary funds which at $100 million would be almost twice what had previously been available? And what kind of things would the Secretary like to do that he finds himself unable to do presently?

Mr. SEMERAD. I think it is mainly a question of targeting. So often we do not have money available for the places that need it because so much of the money moves by formula. It is really a question of speed I think and having the ability to quickly address a given hardship situation that comes to our attention that qualifies by all the other standards.

And we would like to be responsive. And we think timing is a pretty important part of that responsiveness.

SUMMER YOUTH PROGRAM

Mr. CONTE. For the youth employment, you are proposing reduced funding from summer the enacted level of $664,549,000 to $428,000,000 and to do away with the statutory allocation formula, permitting the Secretary to distribute that remaining money as he sees fit. Tell us, we would be dying to hear, how is the Secretary going to distribute that money?

Mr. SEMERAD. I think, Mr. Conte, some of the same rationale applies. The young people that we are concerned about really aggregate in the large urban areas. I mean substantially. So that what happens is that under the formula you move a lot of money all around, the country, even though we have large numbers of young people who could benefit by a greater concentration through targeting of that money in the larger urban areas. And yet we do not have sufficient funds to deal with them.

We are moving the money around, throughout the United States under formula. Which is not to say we do not have young people that benefit from it everywhere. But the greatest concentration of kids that need the help are in the cities.

Mr. CONTE. In other words, what you are telling me is that people in districts like mine are going to get nothing. It is all going to go to New York City, Cleveland, Los Angeles.

Mr. SEMERAD. I think a formula would be created that would be more of a targeting formula. It would not be just a matter of how we felt when we got up in the morning. I think that we would work with the Committee to try to come up with a way that does two things: it is fair, and it also concentrates on where the young people are, and moves the money to those areas.

Mr. CONTE. There are young people even in a small town.

Mr. SEMERAD. Yes, sir.

Mr. CONTE. We are not all adults in my hometown.

In the FY-86 appropriation bill you had requested—and the Committee went along—special appropriation language permitting the Secretary to reserve up to 15 percent of the 1985 and '86 appropriation, and to relocate those funds to assure each service delivery area receives as nearly as possible an amount equal to its prior year allocation.

Why is that flexibility not sufficient since it is designed to have more money going into the urban areas? And why are you here this morning proposing to change the allocation mechanism that the Department itself proposed?

Mr. JONES. Mr. Chairman, that process simply maintains funding based on that current formula from fluctuations caused by shifting unemployment rates. It fails to address the substantial minority unemployment rates that exist in some of the urban and suburban areas across the country.

There is a request before you that suggests that by changing to a more targeted formula process you can get a much greater impact on that issue than the current formula process does. I suspect in, whatever decision is made between us and the Committee, some balancing process like that will be required to ensure that there are not extraordinary disruptions from year to year.

But there is no question that there is a much greater need statistically for minority youth in a significantly fewer jurisdictions in the country. And greater yield could be obtained by changing that formula.

Mr. CONTE. Is the problem with the summer youth program that there is too much money?

Mr. JONES. I think the problem is there is too much in the wrong places. Some of the rural areas probably can address the youth issue with funds that are available to them, while in some of the concentrated areas there is no way that can be done.

Mr. CONTE. Can you be more specific and tell me what areas are getting too much money and which areas are not getting enough money?

Mr. JONES. We will in the very near future be happy to share with the Committee the kinds of formulas that we would suggest using and the basis on which it is based and the jurisdictions which would show up according to that.

Mr. CONTE. You will submit that?

Mr. JONES. Yes, sir.

[The information follows:]

PROPOSED SUMMER TARGETED FORMULA

The Department intends to work with the appropriate committees as we develop more information on the method to be used in allocating Title IIB funds to the areas most in need.

We will be pleased to share this information with your committee in the near future.

JOB CORPS

Mr. CONTE. Under the Gramm-Rudman sequestration, everything I have seen, including the Department's own statements, indicates that the $27 million sequester will require anywhere from two to five Job Corps centers to be closed. Do you have a final fix on how many centers will be closed?

Mr. SEMERAD. I think at this time we are guessing two to five. We have not made any decisions on that. No decision is being made until May.

I think when we were up last week, I think we committed to you that we would share with the Committee that information. I think we are holding off. As you can well appreciate, it is a painful process and not one that we want to start before we know precisely what we are going to have to address. So I think that we are holding off on that.

Mr. CONTE. Do you have any pecking order on which ones are going to be closed?

Mr. SEMERAD. All the centers are being compared against a set of criteria that we outlined for you.

Mr. CONTE. What are the criteria?

Mr. SEMERAD. There are eight points. We are going to look at all of them, examine them, compare them against these criteria—and perhaps some other, but mainly these—operational costs, the capital outlay requirements, the location versus need, the performance effectiveness of a particular center, the quality and the potential of the facility, whether the facility is leased versus whether or not we own it, and what the community support and activities for that center and the integration of that center in the community might be.

Those are the kinds of things we are going to have to be addressing. As you know, the facilities are really quite different in how they are set up.

Mr. CONTE. Can you give us a rank list? Can you give us a rank list of centers by cost per enrollment a year, or some equivalent unit for the record? In the meantime, can you give us a sample of the difference in cost between a high cost and low cost center, and what is it that a low cost center does to be a relatively efficient center? What does it do?

Mr. SEMERAD. Yes, sir. We can give you the rankings by slot costs. Clearly from my observation at the high end of this range that we hear about, there are some centers that it is pretty clear why their costs are much higher. And they are generally the Federally operated centers rather than those operated within the private sector by contractors.

[The information follows:]

Program Year 1985 Job Corps Center Budget Data

The table which follows shows the annual cost per slot budgeted at each Job Corps center in Program Year 1985. The centers are listed in order of unit cost—from the highest cost center to the lowest. Please note that the table does not reflect all Job Corps program costs, but has been limited to the "on-center" costs that provide for a fair comparison of one center's cost against another's. For example, the table does not include the cost of recruiting and screening new corpsmembers and transporting them from their homes to the centers where they are assigned.

PROGRAM YEAR 1985 JOB CORPS CENTER BUDGET DATA

CENTER NAME	REG.	STATE	OPERATOR	ENROLL. CAPACITY	PROGRM YEAR 1985 BUDGETED OPERATIONS COST/SLOT	PROGRM YEAR 1985 CENTER OPERATIONS BUDGETS
IROQUOIS	2	NY	A-USDI	168	15,495	2,603,118
HAWAII	9	HI	C-PAC.ED.	265	15,010	3,977,741
GATEWAY	2	NY	A-USDI	200	14,867	2,973,427
OUACHITA	6	AR	A-USDA	187	14,824	2,772,022
FORT SIMCOE	10	WA	A-USDI	224	14,743	3,302,323
ANGELL	10	OR	A-USDA	208	14,667	3,050,668
CURLEW	10	WA	A-USDA	198	14,659	2,902,475
ANACONDA	8	MT	A-USDA	224	14,617	3,274,187
FRENCHBURG	4	KY	A-USDA	168	14,610	2,454,537
JACOBS CREEK	4	TN	A-USDA	224	14,517	3,251,806
BLACKWELL	5	WI	A-USDA	205	14,499	2,972,390
TIMBER LAKE	10	OR	A-USDA	234	14,490	3,390,574
GOLCONDA	5	IL	A-USDA	230	14,415	3,315,405
HARPERS FERRY	3	WV	A-USDI	210	14,242	2,990,723
CASCADES	10	WA	C-M.T.C.	327	14,111	4,614,265
WEBER BASIN	8	UT	A-USDI	224	14,070	3,151,786
FLATWOODS	3	VA	A-USDA	224	13,878	3,108,741
MARSING	10	ID	A-USDI	200	13,755	2,750,901
MINNEAPOLIS	5	MN	C-B.R.A.C	80	13,750	1,100,000
TRAPPER CREEK	8	MT	A-USDA	224	13,798	3,079,441
SCHENCK	4	NC	A-USDA	224	13,736	3,076,846
CASS	6	AR	A-USDA	224	13,723	3,074,031
POTOMAC	3	DC	C-R.C.A.	525	13,569	7,123,794
COLUMBIA BASIN	10	WA	A-USDI	225	13,567	3,052,559
SIERRA NEVADA	9	NV	C-U. NEV.	600	13,560	8,136,284
MINGO	7	MO	A-USDI	224	13,559	3,037,170
PINE KNOT	4	KY	A-USDA	224	13,521	3,028,787
LYNDON JOHNSON	4	NC	A-USDA	205	13,499	2,767,354
BOXELDER	8	SD	A-USDA	208	13,499	2,805,619
WOLF CREEK	10	OR	A-USDA	231	13,427	3,101,601
COLLBRAN	8	CO	A-USDI	200	13,307	2,661,433
PINE RIDGE	7	NE	A-USDA	224	13,299	2,979,055
OCONALUFTEE	4	NC	A-USDI	210	13,125	2,756,281
TREASURE LAKE	6	OK	A-USDI	224	12,842	2,876,504
GREAT ONYX	4	KY	A-USDI	214	12,702	2,718,315
TREASURE ISLAND	9	CA	C-N.M.U.	100	12,550	1,255,000
INLAND EMPIRE	9	CA	C-R.C.A.	310	12,434	3,854,537
KICKING HORSE	8	MT	C-TRIBES	224	12,313	2,758,062
TUCSON	9	AZ	C-TELEDYN	270	11,939	3,223,475
RED ROCK	3	PA	C-M.T.C.	318	11,913	3,788,209
CHARLESTON	3	WV	C-M.T.C.	430	11,909	5,120,703
TALKING LEAVES	6	OK	C-CHEROKE	225	11,878	2,677,021
SACRAMENTO	9	CA	C-SINGER	400	11,898	4,759,179
SAN JOSE	9	CA	C-SINGER	365	11,677	4,262,123
CLEARFIELD	8	UT	C-M.T.C.	1470	11,652	17,127,795
TONGUE POINT	10	OR	C-R.C.A.	635	11,632	7,386,577
LOS ANGELES		CA	C-YWCA	735	11,620	8,540,427
SAN DIEGO	9	CA	C-SINGER	600	11,488	6,892,698
PHOENIX	9	AZ	C-TELEDYN	415	11,433	4,744,724
SOUTH BRONX	2	NY	C-INTELCO	250	11,392	2,847,968
PITTSBURGH	3	PA	C-TELEDYN	340	11,355	3,860,761
OLD DOMINION	3	VA	C-TELEDYN	350	11,138	3,898,216

PROGRAM YEAR 1985 JOB CORPS CENTER BUDGET DATA

CENTER NAME	REG.	STATE	OPERATOR	ENROLL. CAPACITY	PROGRM YEAR 1985 BUDGETED OPERATIONS COST/SLOT	PROGRM YEAR 1985 CENTER OPERATIONS BUDGETS
CARL PERKINS	4	KY	C-SINGER	165	11,012	1,817,019
ST. LOUIS	7	MO	C-MINACT	638	10,932	6,974,354
CLEVELAND	5	OH	C-A.K.A.	530	10,918	5,786,693
ROSWELL	6	NM	C-VINNELL	225	10,876	2,447,171
WOODSTOCK	3	MD	C-R.C.A.	530	10,871	5,761,491
CINCINNATI	5	OH	C-M.T.C.	225	10,869	2,445,620
NORTHLANDS	1	VT	C-SINGER	280	10,856	3,039,555
GRAND RAPIDS	5	MI	C-G.R.SCH	400	10,849	4,339,628
JOLIET	5	IL	C-RESCARE	380	10,768	4,091,908
GLENMONT	2	NY	C-SINGER	355	10,700	3,798,331
BLUE RIDGE	3	VA	C-R.C.A.	200	10,602	2,120,445
JACKSONVILLE	4	FL	C-TELEDYN	250	10,583	2,645,663
ATTERBURY	5	IN	C-RESCARE	650	10,563	6,866,211
ATLANTA	4	GA	C-M.T.C.	515	10,523	5,419,500
BATESVILLE	4	MS	C-MINACT	300	10,470	3,141,002
EDISON	2	NJ	C-SINGER	500	10,433	5,216,353
TUSKEGEE	4	AL	C-TUSK.	244	10,368	2,529,873
WOODLAND	3	MD	C-R.C.A.	300	10,363	3,108,968
MCKINNEY	6	TX	C-T.E.F.	650	10,342	6,722,115
DENISON	7	IA	C-T.M.R.	300	10,333	3,099,965
KEYSTONE	3	PA	C-R.C.A.	700	10,279	7,195,058
BAMBERG	4	SC	C-T.M.R.	210	10,199	2,141,826
MIAMI	4	FL	C-RESCARE	210	10,191	2,140,067
TURNER	4	GA	C-M.T.C.	1200	10,150	12,180,013
LAREDO	6	TX	C-SER	175	10,149	1,776,003
EXCELSIOR SPR.	7	MO	C-MINACT	455	10,081	4,586,842
DETROIT	5	MI	C-SINGER	305	10,080	3,074,284
CASSADAGA	2	NY	C-INTELCO	250	10,070	2,517,500
GAINESVILLE	4	FL	C-TELEDYN	350	10,042	3,514,762
H. HUMPHREY	5	MN	C-VINNELL	250	10,011	2,502,642
PENOBSCOT	1	ME	C-T.D.C.	385	10,004	3,851,720
DAYTON	5	OH	C-AURORA	300	9,973	2,991,963
CHESAPEAKE	3	MD	C-R.C.A.	1078	9,912	10,685,397
ALBUQUERQUE	6	NM	C-TELEDYN	415	9,878	4,099,327
SHREVEPORT	6	LA	C-M.T.C.	350	9,822	3,437,641
BRUNSWICK	4	GA	C-M.T.C.	400	9,811	3,924,333
BARRANQUITAS	2	PR	C-P.R.	145	9,793	1,419,934
ARECIBO	2	PR	C-P.R.	145	9,793	1,419,934
GRAFTON	1	MA	C-TELEDYN	340	9,756	3,317,125
WESTOVER	1	MA	C-R.C.A.	540	9,720	5,248,939
TULSA	6	OK	C-INTELCO	225	9,698	2,182,070
KNOXVILLE	4	TN	C-MINACT	500	9,687	4,843,615
GARY	6	TX	C-T.E.F.	2200	9,643	21,214,040
MISSISSIPPI	4	MS	C-RESCARE	400	9,556	3,822,308
KITTRELL	4	NC	C-M.T.C.	350	9,543	3,340,125
LITTLE ROCK	6	AR	C-SINGER	200	9,383	1,876,632
EL PASO	6	TX	C-T.E.F.	415	9,380	3,892,715
WHITNEY YOUNG	4	KY	C-R.C.A.	400	9,362	3,744,979
DELAWARE VALLEY	2	NY	C-I.T.T.	390	9,350	3,646,663
EARL CLEMENTS	4	KY	C-SINGER	2624	9,202	24,146,470
GULFPORT	4	MS	C-RESCARE	280	9,096	2,546,783
ONEONTA	2	NY	C-R.C.A.	400	9,005	3,601,360
GUTHRIE	6	OK	C-WACKNHT	630	8,658	5,454,408
RAMEY	2	PR	C-P.R.	335	8,579	2,873,919

Mr. CONTE. In your supplemental revision you indicate on page TSR 10 that you will, at the same time you are closing half the centers as a result of the rescission, initiate a number of innovative pilots and demonstrations. How much money are you anticipating spending on these pilots and demos? Describe the type of activities you anticipate conducting, and please indicate what authority you have to operate pilots an demo projects under the Job Corps program.

Mr. JONES. Mr. Chairman, the amount of money will be fairly minimal. Most of these models are attempts to deal with a variety of service deliveries within the current Job Corps structure to determine their impacts on reducing unit costs.

They will range from tests of non-residential centers, taking a couple of centers and converting them to serve more people but during the day without incurring much additional costs to the overall process, some high tech centers, centers with different kinds of training capacities, centers linked into some university and local school systems, and some with private sectors, other kinds of models, all of which have as their prime target a better output in terms of the students and lowering of the unit costs.

That is the primary issue that continues to always drive the Job Corps discussion. No one has questioned that the cost of these is not particularly valid. It is just a question that on an inflation basis every year it continues to go up at a constant rate. And if the model is valid, we need tc determine which of the parts are most important, and how we can do more for less.

Mr. SEMERAD. Excuse me, sir. I think that that is a really important point. We have learned quite a lot, as you can appreciate, over the years. We know some things work better.

I think what we have to try whatever the final budget numbers are, to produce and implement, where applicable, all those good lessons we have learned around the country. And I think that there is every expectation that we can increase the number of enrollees we are putting through those slots. I would like to at least set as a goal of increasing from the current level of 1.7 enrollees per slot to two people through each of those slots per year.

I think that we have a lot of experience. Because we have the great range in terms of costs, we need to really examine what is working to bring those costs down while making sure that we maintain the quality. I think if we have serious budget cuts, it is our obligation.

And what I am trying to get our people to do is to examine how can we not only enhance the quality of the experience of these young people, but move them through in a way that brings the cost down and gets more people involved with us. This is a population we are going to need down the road in this economy. And I think we can do a better job.

Mr. CONTE. One last question. When do you currently anticipate the rescission proposal will expire if no action on the rescission is taken by the Congress?

Mr. JONES. I guess according to our figures last year, we assume it will be about April 15, somewhere in there, counting Congressional days. You can be assured that no action will be taken by us until we see that process work its will.

Mr. CONTE. Thank you very much.
Mr. NATCHER. Mr. Pursell.

EVALUATION OF JTPA

Mr. PURSELL. Thank you Mr. Chairman.

I think the questions that have been asked have been very good ones. I wanted to take a minute to asks an historical question, and that is, how do you feel about the move from CETA to the Job Training Partnership Act. Have we not only cleaned it up, but have we developed a delivery system that involves the business community to a greater degree? Are you satisfied with the audits and oversight, or do you think Congress should, at this point, go back and review that transition to see how it is working or not working in some places in the country?

Mr. SEMERAD. Mr. Pursell, I am happy to respond to that. Having been in this business for 20 years and going through the Manpower Development Training Act and the OEO programs and CETA and now JTPA, I can say without any hesitation that we have developed under JTPA the best system so far.

There are probably a lot of reasons for that, including national awareness of what works, and getting back to fundamentals under the Job Training Partnership Act. In the past we probably did a number of things that sounded great but probably in the long run did not have, or at least were not demonstrated to have the most effective long-term benefits.

I think the genius of JTPA is putting a great deal of effort into it at the local level and the involvement of the PICs. I think the PICs potentially could be a mechanism, a kind of structure, that other human service delivery programs could be put through.

This is more than just having them as advisors and sitting up there being blue panel and everything. They have real hands-on program support working with their governors and working with us. And I think one of the things we are trying to do at the Department of Labor now is to make sure that we are good partners, not just moving this money by formula to many areas, but also assuring that we are not in any way providing barriers or inhibiting good creative work.

There are a lot of wonderful things going on at the local level in this country.

Mr. PURSELL. Are the PIC councils, business people that come in once a month on an advisory basis, are they involved to the extent that you are satisfied?

Mr. SEMERAD. They have exceeded the mandatory requirement in the PICs. And our estimation is that there are something in the order of 11,000 business people involved as members of PICs. And I do not know whether they meet once a month or what their——

Mr. JONES. I think more than that.

Mr. SEMERAD. My impression is it is a lot more than that. And I spend a lot of time working the business organizations that are involved with this. And I must say that I think that it is stimulating not only in the community, but it is stimulating a lot of companies who are allowing their people to take the time to participate in these things.

And probably, as we deal with these budget reductions, the key of effectiveness is clearly how involved the employers are. I mean, we are doing something that they like, that they understand. They tend to make commitments to hire the participants, and more and more of that is occurring.

So I think that Congress was right on. And we have been discussing this kind of legislative question.

Mr. PURSELL. That was my next question. Do you have any proposals to fine tune it?

Mr. SEMERAD. We are busy trying to respond to Senator Quayle, who has hearings coming up. And he has a number of specific amendments that we are debating now to see how we feel about it.

Most of them are technical. I think that the ones we have mentioned this morning are the more substantial ones, such as whether we can do more with the summer programs, and whether we can do a better job with the Title III money.

As I will address later, we want to do more in providing leadership where it is appropriate from the Federal level, but not being intrusive.

And I am trying to get us in a position where we are dealing more with technical assistance in the best sense of that word, rather than just audits and coming down on people, playing policeman. That is really not my idea of productive enterprise. We have to do it to protect the integrity of the program. But nevertheless, I would like the emphasis of my people in the field and here in Washington who are responding to be happier. They like programs, they like to see things work well.

Mr. PURSELL. Under your Job Training Partnership Act, what is the current appropriation for that this year? What was the amount?

Mr. JONES. I think it is about $3.5 billion.

Mr. SEMERAD. $3.5 billion.

DISLOCATED WORKERS DISCRETIONARY FUNDING

Mr. PURSELL. In the discretionary area, can you tell me how much is available now? Have you pretty much obligated that? Can you do that in advance, or do you do it application by application? Would there be some funds left in the '86 budget cycle?

Mr. JONES. In the Title III program?

Mr. PURSELL. Title III.

Mr. JONES. There is $55 million available this year up until July 1, of which all is not totally obligated. I think there is a balance now of $15 or $17 million, something like that, that is still subject to the ongoing application process. That will be all obligated prior to July 1. In program year 1986 there will be approximately $24 million without the supplemental.

Mr. PURSELL. What is the request for next year?

Mr. JONES. $100 million plus the supplemental of $74 million, as the Chairman pointed out. The $100 million with the Gramm-Rudman reduction comes to $95.7 million, 25 percent of which is discretionary, plus the $74 million supplemental request.

Mr. PURSELL. Is that discretionary category about the only area you can impact with targeting? Are there other categorical funds that you can move around more quickly?

Mr. SEMERAD. This is our principal discretionary amount that we can target on dislocated workers. However, we still have our national programs that finance a few of our key partners in providing training and various services to different constituencies. We have very little discretion under our pilots and demonstrations or in the research area in terms of amounts.

And we stretch that out. Those amounts tend to be small, doing a variety of things. But it would be very hard to change any major portion of it given what we have now.

I think that in the areas that we have talked about the increase requested is very critical because I think we can do a better job. And certainly, as I mentioned, speed and targeting are two critical efforts that would help as do a better job.

Mr. PURSELL. So you would like to see legislation and appropriations in a more flexible discretionary area?

Mr. SEMERAD. Yes, sir.

Mr. PURSELL. And to be effective when a crisis develops in a community, so you can address that crisis quickly?

Mr. SEMERAD. I do not think that should be interpreted in any way as a withdrawal from the formula concept. We really think under JTPA the magic is really what is happening in the states and the governors getting into this and moving down through the PICs and SDAs at the local level.

I think though that there are some inhibitions in that system that we would like to better address that just cannot be done because our money is almost all distributed by formula. We have to sit by and sort of let some things not be addressed.

Mr. PURSELL. When you look at an application for discretionary funds, does your criteria include trying to provide individual training through a community college, and through different sectors, like manufacturing, service, or where there is more job potential? Or do you just approve a grant as is without regard to recommendations and changes?

Mr. SEMERAD. I think that certainly the applicant has to make a pretty good case in terms of what is going on in that community. And they have to have a plan, or they are supposed to think about how people need to be retrained, and for what, and who is going to do it, whether it is a junior college or technical school or a community based organization, whatever. We have got all kinds of organizations doing that kind of job.

It is really up to the applicant to make the case for both. And they have a pretty good idea in many cases of similar kinds of potential employment that workers could receive. Again, it is pretty well targeted because it is at the local level. And they are trying in many cases, to save their communities. And they are the best judges of that I think.

Mr. PURSELL. Thank you, Mr. Chairman.

IMPACT OF GRAMM-RUDMAN ON JOB CORPS

Mr. NATCHER. Pursuant to Gramm-Rudman in 1986, the Job Corps program, as you know, is reduced $27,520,000, 4.3 percent. How do you plan to achieve the reduction in 1986?

Mr. SEMERAD. I think that, Mr. Chairman, as we have mentioned before, we would need to close several centers.

Mr. NATCHER. Would it not be possible to achieve the reduction without closing centers? Have you thought about it along that line?

Mr. SEMERAD. I think that one way of addressing the painful aspects of bringing the Job Corps budget overall down would be the idea of taking a little bit from lots of folks. The problem with that is you drive the per unit costs up in a direct relationship to how much you are going to take from each of the centers.

And I think one of the overwhelming problems, certainly in the public discussion of the Job Corps, is the costs per corpsmember. And I think that we should avoid doing anything that would automatically drive the cost per slot up and should address questions of efficiency and relevance to the market we are trying to serve.

JOB CORPS RESCISSION

Mr. NATCHER. As you well know, in addition you are proposing to rescind $196,487,000 in the Job Corps program and to cut the enrollment level to 22,000. This brings it down from $640 million in the 1986 bill that the President signed to $351.7 million.

I believe that is correct; is it not?

Mr. SEMERAD. Yes, sir.

Mr. NATCHER. Now, you know how this Committee has felt all down through the years, and the House and Senate generally. Knowing all of that, and considering that you have a $27,520,000 reduction that has to take place in '86, and when I say to you that I think you ought to handle the reduction without the closing of centers, do you not have a pretty good idea about what this Committee is going to do on this recission proposed?

Do you not have a pretty good ideal about what we are going to do without me putting it in the record at this time?

Mr. SEMERAD. Mr. Chairman, I think it is significant that the Administration has not proposed zeroing out Job Corps in anticipation of what this Committee was going to do. We would like to put a positive note on these reductions. I firmly believe that while it looks so stark to go from a 40,000 slots per year to 22,000, that with the kind of positive management efforts, and even in closing centers, that we could produce far more than 22,000 slots, at the same time reducing the overall costs of the program.

Now, whether or not that is politically viable, I cannot really say. I am committed to run the best program. Regardless of the amount appropriated, I would still urge my people to try to increase and enhance participation because there are so many young people.

We have an epidemic really in this country of young people who need the kind of Government intervention that Job Corps provides. So whether you give me resources for 40,000 slots or 22,000 slots, you have my commitment to do everything to increase the return on whatever that investment is.

Mr. NATCHER. You know how we feel about this matter. So in all frankness and fairness with you, I think you ought to keep all these centers open.

What would take the place of the Job Corps in those parts of the country that would no longer have centers?

Mr. JONES. Two things, Mr. Chairman. One is that, as you know, many of the students in those Job Corps centers are not coming from those parts of the country as it is now. One of the issues here I think is to better distribute the centers we have and to ensure that we are serving the people that are in those areas better.

Secondly, other than that, as you know, one of our big issues is continuing to be increasing the youth service levels in the JTPA block grant system. And that system is set up to in fact serve this clientele. The youth numbers continue to go up. In those grants, I think we can expect that 10,000 or 20,000 participants will well be absorbed into that system.

Mr. NATCHER. For the record, if you will, please, provide a list of all current Job Corps centers, showing the operating budget and enrollment level of each one, and also show which ones are conservation centers, indicate that.

[The information follows].

PROGRAM YEAR 1985 JOB CORPS CENTER BUDGET DATA

The table which follows shows the annual cost per slot budgeted at each Job Corps center in PY 1985 and provides the other information you requested. The conservation centers are identified in the "OPERATOR" column. Department of Agriculture conservation centers are labeled "A-USDA" and Interior conservation centers are labeled "A-USDI." Please note that the table does not reflect all Job Corps program costs, but has been limited to the "on-center" costs that provide for a fair comparison of one center's cost against another's. For example, the table does not include the cost of recruiting new corps members and transporting them from their homes to the centers where they are assigned.

PROGRAM YEAR 1985 JOB CORPS CENTER BUDGET DATA

CENTER NAME	REG.	STATE	OPERATOR	ENROLL. CAPACITY	PROGRM YEAR 1985 BUDGETED OPERATIONS COST/SLOT	PROGRM YEAR 1985 CENTER OPERATIONS BUDGETS
GRAFTON	1	MA	C-TELEDYN	340	9,756	3,317,125
NORTHLANDS	1	VT	C-SINGER	280	10,856	3,039,555
PENOBSCOT	1	ME	C-T.D.C.	385	10,004	3,851,720
WESTOVER	1	MA	C-R.C.A.	540	9,720	5,248,939
GATEWAY	2	NY	A-USDI	200	14,867	2,973,427
IROQUOIS	2	NY	A-USDI	168	15,495	2,603,118
ARECIBO	2	PR	C-P.R.	145	9,793	1,419,934
BARRANQUITAS	2	PR	C-P.R.	145	9,793	1,419,934
CASSADAGA	2	NY	C-INTELCO	250	10,070	2,517,500
DELAWARE VALLEY	2	NY	C-I.T.T.	390	9,350	3,646,663
EDISON	2	NJ	C-SINGER	500	10,433	5,216,353
GLENMONT	2	NY	C-SINGER	355	10,700	3,798,331
ONEONTA	2	NY	C-R.C.A.	400	9,005	3,601,860
RAMEY	2	PR	C-P.R.	335	8,579	2,873,919
SOUTH BRONX	2	NY	C-INTELCO	250	11,392	2,847,968
FLATWOODS	3	VA	A-USDA	224	13,878	3,108,741
HARPERS FERRY	3	WV	A-USDI	210	14,242	2,990,723
BLUE RIDGE	3	VA	C-R.C.A.	200	10,602	2,120,445
CHARLESTON	3	WV	C-M.T.C.	430	11,909	5,120,703
CHESAPEAKE	3	MD	C-R.C.A.	1078	9,912	10,685,397
KEYSTONE	3	PA	C-R.C.A.	700	10,279	7,195,058
OLD DOMINION	3	VA	C-TELEDYN	350	11,138	3,898,216
PITTSBURGH	3	PA	C-TELEDYN	340	11,355	3,860,761
POTOMAC	3	DC	C-R.C.A.	525	13,569	7,123,794
RED ROCK	3	PA	C-M.T.C.	318	11,913	3,788,209
WOODLAND	3	MD	C-R.C.A.	300	10,363	3,108,968
WOODSTOCK	3	MD	C-R.C.A.	530	10,871	5,761,491
FRENCHBURG	4	KY	A-USDA	168	14,610	2,454,537
JACOBS CREEK	4	TN	A-USDA	224	14,517	3,251,806
LYNDON JOHNSON	4	NC	A-USDA	205	13,499	2,767,359
PINE KNOT	4	KY	A-USDA	224	13,521	3,028,787
SCHENCK	4	NC	A-USDA	224	13,736	3,076,846
GREAT ONYX	4	KY	A-USDI	214	12,702	2,718,315
OCONALUFTEE	4	NC	A-USDI	210	13,125	2,756,281
ATLANTA	4	GA	C-M.T.C.	515	10,523	5,419,500
BAMBERG	4	SC	C-T.M.R.	210	10,199	2,141,826
GATESVILLE	4	MS	C-MINACT	300	10,470	3,141,002
BRUNSWICK	4	GA	C-M.T.C.	400	9,811	3,924,333
CARL PERKINS	4	KY	C-SINGER	165	11,012	1,817,019
EARL CLEMENTS	4	KY	C-SINGER	2624	9,202	24,146,470
GAINESVILLE	4	FL	C-TELEDYN	350	10,042	3,514,762
GULFPORT	4	MS	C-RESCARE	280	9,096	2,546,783
JACKSONVILLE	4	FL	C-TELEDYN	250	10,583	2,645,663
KITTRELL	4	NC	C-M.T.C.	350	9,543	3,340,125
KNOXVILLE	4	TN	C-MINACT	500	9,687	4,843,615
MIAMI	4	FL	C-RESCARE	210	10,171	2,190,067
MISSISSIPPI	4	MS	C-RESCARE	400	9,556	3,822,308
TURNER	4	GA	C-M.T.C.	1200	10,150	12,180,013
TUSKEGEE	4	AL	C-TUSK.	288	10,368	2,529,873
WHITNEY YOUNG	4	KY	C-R.C.A.	400	9,062	3,744,979
BLACKWELL	5	WI	A-USDA	205	14,499	2,972,390
GOLCONDA	5	IL	A-USDA	230	14,415	3,315,405

PROGRAM YEAR 1985 JOB CORPS CENTER BUDGET DATA

CENTER NAME	REG.	STATE	OPERATOR	ENROLL. CAPACITY	PROGRM YEAR 1985 BUDGETED OPERATIONS COST/SLOT	PROGRM YEAR 1985 CENTER OPERATIONS BUDGETS
ATTERBURY	5	IN	C-RESCARE	650	10,563	6,866,211
CINCINNATI	5	OH	C-M.T.C.	225	10,869	2,445,620
CLEVELAND	5	OH	C-A.K.A.	530	10,918	5,786,693
DAYTON	5	OH	C-AURORA	300	9,973	2,991,963
DETROIT	5	MI	C-SINGER	305	10,080	3,074,284
GRAND RAPIDS	5	MI	C-G.R.SCH	400	10,849	4,339,628
H. HUMPHREY	5	MN	C-VINNELL	250	10,011	2,502,642
JOLIET	5	IL	C-RESCARE	380	10,768	4,071,908
MINNEAPOLIS	5	MN	C-B.R.A.C	80	13,750	1,100,000
CASS	6	AR	A-USDA	224	13,723	3,074,031
OUACHITA	6	AR	A-USDA	187	14,824	2,772,022
TREASURE LAKE	6	OK	A-USDI	224	12,842	2,876,504
ALBUQUERQUE	6	NM	C-TELEDYN	415	9,878	4,099,327
EL PASO	6	TX	C-T.E.F.	415	9,380	3,892,715
GARY	6	TX	C-T.E.F.	2200	9,643	21,214,040
GUTHRIE	6	OK	C-WACKNHT	630	8,658	5,454,408
LAREDO	6	TX	C-SER	175	10,149	1,776,003
LITTLE ROCK	6	AR	C-SINGER	200	9,383	1,876,682
MCKINNEY	6	TX	C-T.E.F.	650	10,342	6,722,115
ROSWELL	6	NM	C-VINNELL	225	10,876	2,447,171
SHREVEPORT	6	LA	C-M.T.C.	350	9,822	3,437,641
TALKING LEAVES	6	OK	C-CHEROKE	225	11,898	2,677,021
TULSA	6	OK	C-INTELCO	225	9,698	2,182,070
PINE RIDGE	7	NE	A-USDA	224	13,299	2,979,055
MINGO	7	MO	A-USDI	224	13,559	3,037,170
DENISON	7	IA	C-T.M.R.	300	10,333	3,099,965
EXCELSIOR SPR.	7	MO	C-MINACT	455	10,081	4,586,842
ST. LOUIS	7	MO	C-MINACT	638	10,932	6,974,354
ANACONDA	8	MT	A-USDA	224	14,617	3,274,187
BOXELDER	8	SD	A-USDA	208	13,489	2,805,619
TRAPPER CREEK	8	MT	A-USDA	224	13,748	3,079,441
COLLBRAN	8	CO	A-USDI	200	13,307	2,661,433
WEBER BASIN	8	UT	A-USDI	224	14,070	3,151,786
CLEARFIELD	8	UT	C-M.T.C.	1470	11,652	17,127,795
KICKING HORSE	8	MT	C-TRIBES	224	12,313	2,758,062
HAWAII	9	HI	C-PAC.ED.	265	15,010	3,977,741
INLAND EMPIRE	9	CA	C-R.C.A.	310	12,434	3,854,537
LOS ANGELES	9	CA	C-YWCA	735	11,620	8,540,427
PHOENIX	9	AZ	C-TELEDYN	415	11,433	4,744,724
SACRAMENTO	9	CA	C-SINGER	400	11,898	4,759,179
SAN DIEGO	9	CA	C-SINGER	600	11,488	6,892,698
SAN JOSE	9	CA	C-SINGER	365	11,677	4,262,123
SIERRA NEVADA	9	NV	C-U. NEV.	600	13,560	8,136,284
TREASURE ISLAND	9	CA	C-N.M.U.	100	12,550	1,255,000
TUCSON	9	AZ	C-TELEDYN	270	11,939	3,223,475
ANGELL	10	OR	A-USDA	208	14,667	3,050,668
CURLEW	10	WA	A-USDA	198	14,659	2,902,475
TIMBER LAKE	10	OR	A-USDA	224	14,490	3,390,574
WOLF CREEK	10	OR	A-USDA	231	13,427	3,101,601
COLUMBIA BASIN	10	WA	A-USDI	225	13,567	3,052,559
FORT SIMCOE	10	WA	A-USDI	224	13,760	3,302,323
MARSING	10	ID	A-USDI	200	13,755	2,750,701
CASCADES	10	WA	C-M.T.C.	327	14,111	4,614,265
TONGUE POINT	10	OR	C-R.C.A.	635	11,632	7,386,577

SUMMER YOUTH RESCISSION

Mr. NATCHER. You are proposing a rescission of $207,976,000 for the summer youth employment program for the summer of 1987, a reduction of 40 percent. What is the rationale for this?

Mr. SEMERAD. I think the hard rationale is based on the fact that we have numbers and goals to meet in terms of the Administration budget proposals. And when you look around and see where there is discretion, we had to do something. And that was one of the areas where we had some flexibility.

There is an offsetting decrease in terms of the size of the target population, but I am not satisfied with that as an answer so much as I think we can do better for the young people in greatest need even with less money. I think we can target better.

I think even with the reduction we can work more closely with the communities and with the Congress in developing a targeted formula. We know where the kids are that need the help, and we feel very strongly that we can have probably very similar benefit for less cost.

And we also want to include in the whole summer program, which I believe would enhance the quality and enhance the long-term benefits of the experience, a literacy component with it. In many of the communities now there is nothing in the law that prohibits this kind of activity. But most of the young people that we are trying to serve have a reading or mathematic computation problem.

We are going to propose a change that institutes a literacy component in the summer program. So it will be a bit different than just providing walking around money. And as you know, there is always the discussion about the deterioration over the summer months of kids when they are out of school and everything else.

And we feel it is not only that which is an issue, but reading and math are going to be included to help these young people do, as they grow up. And if they are okay in reading and math, then maybe they need some assistance in vocational exploration, finding out what the world of work is all about.

So we are not only dealing with the summer programs from the standpoint of the hard budget considerations, but also we would like to see the program provide a longer term benefit than just giving them some work and money in their pocket.

Mr. NATCHER. Your proposal I believe would eliminate about 318,000 summer jobs for disadvantaged youth. What would take the place of these jobs? Do you have anything in mind?

Mr. SEMERAD. I think one of the things that is getting momentum and something that we need to watch how it works and encourage it is the whole summer jobs for youth in the private sector. The President is now planning this year's version with the business community. And we have got conversations going, as a matter of fact, to see whether we can have a better linkage between the private sector effort to hire kids in the summertime and the public sector efforts.

And I think as we further examine the two programs and also take a look at those communities, I am sure there are localities that have linked up the two quite successfully. If they can replicate

that and encourage others to do it, we can continue to get a lot more jobs out of the private sector, which would tend to offset some of what we lose in the public sector programs.

EMPLOYMENT SERVICE REDUCTION

Mr. NATCHER. You are also proposing a 1986 reduction for the state employment service. What is the purpose of this reduction?

Mr. JONES. Mr. Chairman, that is just the total number including the negative supplemental listed as to maintain the service level that we have been operating the last year or two and not sustain the increases that were there because of inflation and other processes. We think we can continue to do that with a consistent amount of money.

Mr. NATCHER. What is the total reduction that you are proposing?

Mr. JONES. For the employment service?

Mr. NATCHER. Yes.

Mr. JONES. About $37 plus million.

Mr. NATCHER. Do you currently have a deferral in effect for these funds?

Ms. WYRSCH. Yes, sir.

Mr. NATCHER. Mr. Conte, I yield to you.

Mr. CONTE. I have no further questions.

Mr. NATCHER. Mr. Pursell.

Mr. PURSELL. I have no further questions. Thank you, Mr. Chairman.

Mr. NATCHER. We want to thank you for your presentation at this time on behalf of your supplemental requests that are now before the Committee.

[The following questions were submitted for the record:]

DISLOCATED WORKERS' SUPPLEMENTAL

Mr. Natcher: You're requesting special appropriation bill language that would, in effect, eliminate the statutory allocation formula with the $74 million. Isn't this proposal contrary to one of the basic purposes of the Job Training Partnership Act, that is, to shift more authority and responsibility to the States?

Mr. Semerad: The Department has requested $74 million in Title III discretionary funding to provide assistance to trade impacted and other dislocated workers in PY 1986. States would continue to determine which project proposals to submit for discretionary funding and provide project oversight.

Mr. Natcher: If we approved this special language, what criteria would the Department use to distribute these funds?

Mr. Semerad: Funds would be distributed at the Secretary's discretion based on proposals submitted by the States. Available funds would be targeted to areas most in need of dislocated worker services. While no final decision has been made, we anticipate that proposals would be funded that specifically identify dislocated workers to be served, occupations lost, and occupations in which retraining will occur. Careful consideration would also be given to planned costs. In addition, the Secretary would reserve the right to target some of the discretionary funds to particular industries which may experience severe cutbacks in employment.

SUMMER YOUTH

Mr. Natcher: You're proposing special appropriations bill language in the summer program that would override the statutory allocation formula and permit the Secretary to allocate these funds at his discretion. Wouldn't this eliminate the State role in this program?

Mr. Semerad: No. The State role would remain essentially unchanged.

Mr. Natcher: If this language were approved, what criteria would you use to allocate these funds?

Mr. Semerad: The specifics of the allocation formula have not been worked out. Upon its completion, the Title II-B allocation criteria will be published in the Federal Register and disseminated to all States.

Mr. Natcher: Would this become a program strictly for the big cities?

Mr. Semerad: No. The summer program won't be strictly for the big cities. We are recommending targeting funds for the Summer Youth Employment and Training Program to areas with high concentrations of economically disadvantaged youth. We would expect that many of our larger cities would continue to receive summer program funding.

Mr. Natcher: Would many areas be dropped from the program altogether?

Mr. Semerad: Areas with low concentrations of economically disadvantaged youth would not receive on allocation for Title II-B. However, the proposed revisions do not affect the allocation formula for Title II-A, therefore, service delivery areas may serve youth during the summer under that title.

Mr. Natcher: What other program changes do you have in mind for the summer program?

Mr. Semerad: The Department has issued a Training and Employment Information Notice to all States supporting the inclusion of literary training and vocational exploration in the 1986 summer youth program and encouraging States and service delivery areas to incorporate such components into their summer youth program design.

JOB CORPS PILOTS AND DEMONSTRATION PROJECTS

Mr. Conte: In your supplemental and rescission justification, you indicate on page TESR-10 that you will, at the same time you are closing half the centers as a result of the rescission, initiate a number of innovative pilots and demonstrations. How much money are you anticipating spending on these pilots and demos? Describe the type of activities that you anticipate. And please indicate what authority you have to operate pilots and demonstration projects under the Job Corps program.

Mr. Semerad: We have set aside approximately $12 million for linkages and pilot and demonstration projects. We plan to implement a number of pilot and demonstration projects to test innovative approaches in program design, serving non-residential corpsmembers, developing more private sector and Federal program linkages, improving the capacity utilization of existing center facilities and improving service delivery through new curricula. Our ultimate objective is to increase successful outcomes and improve the cost-effectiveness of the program.

The Job Corps program is authorized Under Title IV-B of the Job Training Partnership Act. Authority to operate pilots and demonstration projects under the Job Corps program is provided in Section 433, "Experimental and Developmental Projects and Coordination with Other Programs."

RESCISSION EXPIRATION

Mr. Conte: When do you currently anticipate the rescission proposals will expire, if no action on them is taken by Congress?

Mr. Semerad: Assuming no action by Congress, these proposals would expire about the middle of April 1986.

SUMMER YOUTH EMPLOYMENT

Mr. Conte: Now, your budget proposal is to reduce Summer Youth funding from $664 million to $428 million, and to distribute it all under the Secretary's discretion. Do you envision that some service delivery areas will not receive any summer youth money at all?

Mr. Semerad: Under the Department's budget proposal, funds will be targeted to areas with high concentrations of disadvantaged youth. Service delivery areas (SDAs) with low concentrations of disadvantaged youth may not receive funding specifically designated for summer youth programs. These jurisdictions, however, may decide to use some of their Title II-A funds for youth activities in the summer.

Mr. Conte: Now, under your proposal, with all funding at the Secretary's discretion, will you have the authority to conduct any kinds of pilots and demos, outside of the normal course of summer youth programs?

Mr. Semerad: Title II-B funds for the Summer Youth Program will be allocated by formula to areas with high concentrations of economically disadvantaged youth. Any pilot and demonstration projects would be funded under Title IV.

Mr. Conte: The reason I ask is that for a number of years, I have raised the possibility of trying to do something like the old Civilian Conservation Corps type operations, even as a fresh air type of a program. We have some beautiful spots up in the Berkshires and I think you could do a really good program up there. What do you think?

Mr. Semerad: Although funds will be be available under Title II-B, Governors and the individual SDAs have considerable flexibility to operate innovative summer programs within the confines of the Act and regulations.

SUMMER YOUTH EMPLOYMENT AND TRAINING PROGRAM

Mr. Roybal: The Department proposes to change the Summer Program to permit the Secretary to target funds to the areas with the greatest number of disadvantaged youth. How does the Department intend to determine these areas?

Mr. Semerad: The Department is examining various criteria for use in determining areas for funding under the language proposed for the Summer Youth Employment and Training Program. Our goal is that the specific criteria chosen will target summer program funds to jurisdictions with a high concentration of economically disadvantaged youth.

Mr. Roybal: Under the Department's proposal, over 300,000 participants will be eliminated from the Summer Program between PY 85 and PY 87. How does the Department justify this decrease in light of the high unemployment rate among minority youth?

Mr. Semerad: The Department's summer proposal responds to the fiscal realities of having to reduce Federal spending government-wide to meet Gramm-Rudman-Hollings targets and the need to retain a viable and effective program in areas where there remains a high concentration of disadvantaged youth and unacceptably high youth unemployment, especially for minorities. The proposed targeting of funds would direct resources to those areas with the most critical youth unemployment, thereby enabling program levels maintained in prior years to be continued during the 1987 and 1988 summers. Those areas which will have reduced or no funding for a distinct program will generally be those with lower concentrations of disadvantaged youth and probably fewer minority youth.

JOB CORPS FUNDING REDUCTION

Mr. Roybal: The Department proposes funding reductions in the Job Corps program that would decrease the number of full time training positions from 40,500 to 22,000 beginning in PY 86. Does the Department anticipate that the youth eliminated from the Job Corps will join other JTPA youth programs? If so, does the Department believe that these youth would receive a level of training similar to that received in the Job Corps?

Mr. Semerad: Youth enrolled at Job Corps centers designated for closing will be provided an opportunity to complete their training programs either at those centers or by transfers to other Job Corps centers. JTPA programs will be available to provide training and employment services to Job Corps-eligible youth who may be impactd by the capacity reduction in the Job Corps program. States have a great deal of flexibility under JTPA to tailor programs to meet local needs. We believe that Private Industry Councils and Service Delivery Areas will take positive steps to serve these youth. We also envision stronger linkages between Job Corps and local JTPA programs, and we believe that through utilization of JTPA programs and linkages for service provision, essentially the same level of training will be available.

Mr. Roybal: Under the Department's proposed funding reductions, how will the Department determine which Job Corps centers will be closed?

Mr. Semerad: We are in the process of formulating specific criteria, gathering information and analyzing data on each Job Corps center in order to ensure that decisions on the number and designation of centers to be closed will be based on the most fair and objective basis possible. Criteria being considered include operational costs, funds needed for construction and rehabilitation of facilities, performance, distribution of Job Corps capacity in relation to the poverty youth population, and quality of facilities. Our overall intent is to retain the most efficient and cost effective Job Corps centers, ensuring that we provide the best possible learning environment, and to maintain a geographical distribution of centers that maximizes equitable access for disadvantaged youth.

BASIS FOR TITLE III SUPPLEMENTAL AMOUNT

Mr. Early: Does the $74 million requested supplemental have a direct correlation to the amount of funding being lost due to the expiration of the TAA program? Specifically, how was the $74 million figure and the FY 87 request of $100 million for the Dislocated Workers program arrived at?

Mr. Semerad: Yes, it does have a correlation. Congress had previously appropriated $26 million for the retraining, job search assistance, and relocation portion of the TAA program for FY 1986. The $74 million supplemental request, when added to the $26 million TAA level, would provide a total of $100 million which we consider to be a viable operating level. The supplemental funds would be used for dislocated workers, targeted especially to those workers impacted by trade, who lost jobs due to imports. We are proposing that the $74 million in PY 1986 and the $100 million in PY 1987 be distributed by the Secretary at his discretion for specific dislocations identified by the States.

MARYLAND-SUMMER YOUTH

Mr. Hoyer: I've been told by Maryland State Officials that under your proposal, Maryland will lose 5,200 summer jobs and thus only 6,600 summer jobs will be available for the summer of 1986. Is this correct?

Mr. Semerad: The Department's proposal does not affect the summer youth program for the summer of 1986. Allocations for the 1986 summer program have already been transmitted to the States. Since every service delivery area is receiving funding at a level of at least 92.3 percent of its allocation for last summer, the projection of Maryland officials cannot be correct. With regard to the proposal for 1987 and beyond, the method which will be used to distribute the funds has not yet been determined; therefore, it is not possible at this time to estimate the full impact in particular States.

Mr. Hoyer: I've also been told that a change in the distribution formula vouldn't work to meet your stated goals because current statistics on the economically disadvantaged are not available. Is this accurate?

Mr. Semerad: The count of the economically disadvantaged used for allocation purposes is based on the 1980 Census. Though the possibility of updating this information has been discussed with the Bureau of the Census, no system has been found that is both practical and provides the required accuracy. We are currently reviewing allocation options including using this 1980 Census as well as other data which more closely reflect current situations to accomplish the desired targeting.

SUMMER YOUTH TARGETING

Mr. Hoyer: Will this targeting plan result in some areas receiving zero funds for summer jobs for disadvantaged youth?

Mr. Semerad: Under the Department's proposal, funds will be targeted to areas with high concentrations of disadvantaged youth. Service delivery areas (SDAs) with lower concentrations of disadvantaged youth may not receive funding specifically designated for Summer Youth programs. These jurisdictions, however, may decide to use some of their Title II-A funds for youth activities in the summer.

SUMMER YOUTH FUNDING LEVEL

Mr. Hoyer: In the past few years, we have disagreed about the amount necessary to fund this program. How much money would be needed to maintain the FY '86 enrollment of 785,000?

Mr. Semerad: Approximately $790 million and $811 million would be needed in Program Years 1986 and 1987, respectively, to maintain a 785,000 enrollment level nationally at the enriched level of service planned for the 1987 and 1988 summers.

DISLOCATED WORKERS

Mr. Hoyer: As I understand it you propose in FY '87 to distribute all Dislocated Workers' funds out of the Secretary's discretionary pool of money. Officials in my State suggest that this plan will cause havoc with the delivery system because of the uncertainty of funding. What happens if we in Maryland believe that a particular lay-off is a priority and the Secretary does not?

Mr. Semerad: The Department intends to fund proposals which respond to the greatest need. We believe that the States are in a good position to initially determine such need. Therefore, as a practical matter, we expect that a State and the Department would generally be in agreement in determining which layoffs or closings are a priority within a State.

Mr. Hoyer: Finally, it is very important, as I understand it, to have funds available prior to the actual lay-off. How is this possible under your proposal? Will there be the ability to respond quickly?

Mr. Semerad: The Department fully intends to respond quickly to State proposals to conduct Dislocated Worker programs, including those planned to start before actual layoff, so that funds will be available as soon as possible.

U.S. Department of Labor

Justification of 1986 Rescission and Supplemental Appropriation Estimates For Committee on Appropriations

February 1986

EMPLOYMENT AND TRAINING ADMINISTRATION

TRAINING AND EMPLOYMENT SERVICES

	Page No.
Appropriation language	1
Schedules:	
Program and financing	2
Object classification	3
Personnel summary	6
Summary of changes	7
Analysis of appropriation/rescission	8
Narrative justification:	
General statement	9
Grants to States	10
Federally administered programs	10

EMPLOYMENT AND TRAINING ADMINISTRATION

TRAINING AND EMPLOYMENT SERVICES

Of the funds made available under this head in Public Law 99-178, $416,037,000 are rescinded: Provided, That notwithstanding section 251 of the Job Training Partnership Act, of the funds made available in Public Law 99-178 for obligation for the Summer Youth Employment and Training Program, the Secretary of Labor shall allot such funds in a manner determined by the Secretary for specific geographic areas identified as most in need of such programs.

Type size: 4 point 23 picas Case 180. Red underscore Case 210

STANDARD FORM 300
July 1964, Bureau of the Budget Circular No. A-11, Revised.
300-101

TESR-2

EMPLOYMENT AND TRAINING ADMINISTRATION
TRAINING AND EMPLOYMENT SERVICES

Program and Financing (in thousands of dollars)

Identification code 16-0174-5-1-504	19 86 actual	19 86 estimate	19 86 estimate
		Presently Available	Revised Estimate	Proposed Rescission
Program by activities:				
Direct program:				
1. Grants to States:				
a. Block grant	1,781,930	1,781,930	--
b. Summer youth employment and training program	724,549	724,549	--
c. Dislocated worker assistance	125,537	125,537	--
2. Federally administered programs:				
a. Native Americans	59,571	58,847	-724
b. Migrant and seasonal farmworkers	58,493	57,857	-636
c. Job Corps	615,565	561,003	-54,562
d. Veterans' employment	9,557	9,405	-152
e. National activities	59,819	52,468	-7,351
f. Trade adjustment assistance	24,882	24,882	--
10.00 Total obligations	3,459,903	3,396,478	-63,425
Financing:			
21.40 Unobligated balance available, start of year	-1,257,691	-1,257,691	--
24.40 Unobligated balance available, end of year	1,134,980	782,368	-352,612
40.00 Budget authority (appropriation rescission proposal-R 86-63)	3,337,192	2,921,155	-416,037
Relation of obligations to outlays:			
71.00 Obligations incurred, net	3,459,903	3,396,478	-63,425
72.40 Obligated balance, start of year	3,609,923	3,609,923	--
74.40 Obligated balance, end of year	-3,368,358	-3,322,251	46,107
77.00 Adjustments in expired accounts	-15,000	-15,000	--
90.00 Outlays (Mono cost: 21.5)	3,686,468 (Mono cost: 5)	3,669,150 (Mono cost: 3)	-17,318 (Mono cost: 4.8)

GPO 888—O—757-888

Type size: 8 point 22 picas Case 180. Red underscore Case 210

STANDARD FORM 300
July 1964, Bureau of the Budget Circular No. A-11, Revised.
300-101

TESR-3

EMPLOYMENT AND TRAINING ADMINISTRATION
TRAINING AND EMPLOYMENT SERVICES

Object Classification (in thousands of dollars)

Identification code 16-0174-5-1-504		19 86 actual	19 86 estimate	19 86 estimate
		Presently Available	Revised Estimate	Proposed Rescission
EMPLOYMENT AND TRAINING ADMINISTRATION				
Direct obligations:				
Personnel compensation:				
11.1	Full-time permanent	1,014	1,014	--
11.3	Other than full-time permanent	13	13	--
11.5	Other personnel compensation	10	10	--
11.8	Special personal services payments	181	181	--
11.9	Total personnel compensation	1,218	1,218	--
12.1	Personnel benefits: Civilian	110	110	--
21.0	Travel and transportation of persons	180	180	--
22.0	Transportation of things	7	7	--
23.1	Standard level user charges	92	92	--
23.2	Rental payments to others	2	2	--
23.3	Communications, utilities, and other rent	22	22	--
24.0	Printing and reproduction	68	66	-2
25.0	Other services	19,874	19,868	-6
26.0	Supplies and materials	19	19	--
31.0	Equipment	81	81	--
41.0	Grants, subsidies, and contributions	3,344,330	3,283,258	-61,072
99.0	Subtotal, direct obligations, Employment and Training Administration	3,366,003	3,304,923	-61,080
		(Memo cost: 21.8)	(Memo cost: 8)	(Memo cost: 4.9)

Type size: 5 point 23 picas Case 150. Red underscore Case 210

STANDARD FORM 300
July 1964, Bureau of the Budget Circular No. A-11, Revised.
300-101

TESR-4

EMPLOYMENT AND TRAINING ADMINISTRATION
TRAINING AND EMPLOYMENT SERVICES

Object Classification (in thousands of dollars)

Identification code 16-0174-5-1-504		19 86 actual	19 86 estimate	19 86 estimate
		Presently Available	Revised Estimate	Proposed Rescission
	ALLOCATION ACCOUNTS			
	Direct obligations:			
	Personnel compensation:			
11.1	Full-time permanent	34,271	32,887	-1,384
11.3	Other than full-time permanent	1,834	1,831	-3
11.5	Other personnel compensation	1,569	1,351	-218
11.8	Special personal services payments	25	24	-1
11.9	Total personnel compensation	37,699	36,093	-1,606
12.1	Personnel benefits: Civilian	4,978	4,905	-73
13.0	Benefits to former personnel	86	2,538	2,452
21.0	Travel and transportation of persons	1,136	1,009	-127
22.0	Transportation of things	604	512	-92
23.1	Standard level user charges	173	155	-18
23.2	Rental payments to others	517	482	-35
23.3	Communications, utilities, and other rent	4,439	4,107	-332
24.0	Printing and reproduction	29	27	-2
25.0	Other services	23,639	22,317	-1,322
26.0	Supplies and materials	19,297	18,218	-1,079
31.0	Equipment	919	830	-89
32.0	Lands and structures	366	346	-20
	(Memo cost: 21.0)	(Memo cost: 0)	(Memo cost: 0)	(Memo cost: 4.9)

890 884-0-717-888

Type size: 5 point 22 picas Case 160. Red underscore Case 210

STANDARD FORM 300
July 1964, Bureau of the Budget Circular No. A-11, Revised.
300-101

TESR-5

EMPLOYMENT AND TRAINING ADMINISTRATION
TRAINING AND EMPLOYMENT SERVICES

Object Classification (in thousands of dollars)

Identification code 16-0174-5-1-504	19 86 actual	19 86 estimate	19 86 estimate
	Presently Available	Revised Estimate	Proposed Rescission
42.0 Insurance claims and indemnities	18	16	-2
99.0 Subtotal, direct obligations, allocation accounts	93,900	91,555	-2,345
99.9 Total obligations	3,459,903	3,396,478	-63,425
	(Memo cost: 21.6)	(Memo cost: 5)	(Memo cost: 5)	(Memo cost: 4.9)

GPO 888—O—787-469

Type size: 6 point 22 picas Case 18L Red underscore Case 2lc

STANDARD FORM 300
July 1964, Bureau of the Budget Circular No. A-11, Revised.
300-101

TESR-6

EMPLOYMENT AND TRAINING ADMINISTRATION
TRAINING AND EMPLOYMENT SERVICES

Personnel Summary

Identification code 16-0174-5-1-504	19 86 actual	19 86 estimate	19 86 estimate
	Presently Available	Revised Estimate	Proposed Rescission
DEPARTMENT OF LABOR			
Total number of full-time permanent positions	28	28	--
Total compensable workyears: Full-time equivalent employment	27	27	--
ALLOCATION ACCOUNTS			
Total number of full-time permanent positions	1500	1100	-400
Total compensable workyears: Full-time equivalent employment	1500	1433	-67
(Memo cost: 31.5)	(Memo cost: 0)	(Memo cost: 0)	(Memo cost: 4.9)

GPO 852-0-72-69

SUMMARY OF CHANGES

	1986 Presently Available	1986 Revised Estimate	1986 Proposed Rescission
Budget Authority:			
General Funds	$3,335,111,000	$2,919,074,000	-$416,037,000

Explanation of Changes:	General Funds
Decreases:	
Program:	
To provide for reduced need in the Summer Youth Employment and Training Program due to improved targeting of available resources to areas with the most severe youth unemployment problems	-207,976,000
To reflect statutorily required funding reductions due to previous and proposed changes to other JTPA program funding levels:	
Native Americans	-725,000
Migrant and Seasonal Farmworkers	-703,000
Veterans' Employment	-576,000
To reflect a reduction in Job Corps training capacity by eliminating the most costly and inefficient centers	-196,487,000
To reflect discontinuation of set-aside funding for Rural Concentrated Employment Program service delivery areas	-9,570,000
Total Change	-416,037,000

TESR-8

ANALYSIS OF 1986 APPROPRIATION/RESCISSION

	1986 Appropriation	Gramm-Rudman Hollings P.L. 99-177	Section 515/ C.F.A. Withholdings	1986 Presently Available	1986 Revised Estimate	1986 Proposed Rescission
1. Grants to States	$2,427,700,000	-$112,937,000	-$1,253,000	$2,313,511,000	$2,105,535,000	-$207,976,000
a. Block grant	1,863,151,000	-80,065,000	-1,155,000	1,781,930,000	1,781,930,000	—
b. Summer youth employment and training program	664,349,000	-28,573,000	-50,000	635,926,000	427,950,000	-207,976,000
c. Dislocated worker assistance	100,000,000	-4,299,000	-47,000	95,655,000	95,655,000	—
2. Federally Administered Programs	899,345,000	-36,916,000	-829,000	821,600,000	613,539,000	-208,061,000
a. Native Americans	62,243,000	-2,676,000	—	59,567,000	58,842,000	-725,000
b. Migrant and seasonal farmworkers	60,357,000	-2,595,000	—	57,762,000	57,059,000	-703,000
c. Job Corps	640,000,000	-27,520,000	—	612,480,000	415,993,000	-196,487,000
d. Veterans' employment	9,667,000	-416,000	—	9,251,000	8,675,000	-576,000
e. National activities	66,078,000	-2,591,000	-829,000	57,658,000	48,088,000	-9,570,000
Technical assistance and training	(5,900,000)	(-254,000)	(—)	(5,646,000)	(5,646,000)	(—)
Labor market information	(4,290,000)	(-184,000)	(—)	(4,106,000)	(4,106,000)	(—)
Research and evaluation	(15,190,000)	(-618,000)	(-829,000)	(13,743,000)	(13,743,000)	(—)
NCEP	(2,000,000)	(-86,000)	(—)	(1,914,000)	(1,914,000)	(—)
NOICC	(3,000,000)	(-129,000)	(—)	(2,871,000)	(2,871,000)	(—)
Pilots and demonstrations	(20,698,000)	(-890,000)	(—)	(19,808,000)	(19,808,000)	(—)
Rural concentrated employment programs	(10,000,000)	(-430,000)	(—)	(9,570,000)	(—)	(-9,570,000)
f. Trade adjustment assistance	26,000,000	-1,118,000	—	24,882,000	24,882,000	—
Total, budget authority	3,487,045,000	-149,853,000	-2,081,000	3,335,111,000	2,919,074,000	-416,037,000

TESR-9

EMPLOYMENT AND TRAINING ADMINISTRATION
TRAINING AND EMPLOYMENT SERVICES

JUSTIFICATION

	1986 Presently Available	1986 Revised Estimate	1986 Proposed Rescission
1. Grants to States	$2,513,511,000	$2,305,535,000	-$207,976,000
a. Block grant	1,781,930,000	1,781,930,000	--
b. Summer youth employment and training program	635,926,000	427,950,000	-207,976,000
c. Dislocated worker assistance	95,655,000	95,655,000	--
2. Federally administered programs	821,600,000	613,539,000	-208,061,000
a. Native Americans	59,567,000	58,842,000	-725,000
b. Migrant and seasonal farmworkers	57,762,000	57,059,000	-703,000
c. Job Corps	612,480,000	415,993,000	-196,487,000
d. Veterans' employment	9,251,000	8,675,000	-576,000
e. National activities	57,658,000	48,088,000	-9,570,000
Technical assistance training	(5,646,000)	(5,646,000)	(--)
Labor market information	(4,106,000)	(4,106,000)	(--)
Research and evaluation	(13,743,000)	(13,743,000)	(--)
NCEP	(1,914,000)	(1,914,000)	(--)
NOICC	(2,871,000)	(2,871,000)	(--)
Pilots and demonstrations	(19,808,000)	(19,808,000)	(--)
Rural concentrated employment programs	(9,570,000)	(--)	(-9,570,000)
f. Trade adjustment assistance	24,882,000	24,882,000	--
Total Budget Authority	3,335,111,000 1/	2,919,074,000	-416,037,000

1/ Included in 1986 Presently Available above:

Sequestered under P.L. 99-177	-$149,853,000
Withdrawal pursuant to P.L. 99-190	-$829,000
Withdrawal pursuant to P.L. 99-239	-$1,252,000

General Statement

Grants to States for Job Training Partnership Act (JTPA) Block Grants, Dislocated Worker Assistance Programs and the Summer Youth Employment and Training Program give Governors the primary responsibility for the operation of training programs in their States. In partnership with the private sector and all levels of government, new training programs have been implemented, designed to increase participant skills and competencies as well as private sector placements.

Separate programs designed to meet the training and employment needs of the specific population segments experiencing unique employment problems account for most of the funds requested for Federally administered programs. Programs for Indians and Native Americans, migrant and seasonal farmworkers and veterans are conducted under JTPA. The Job Corps provides training opportunities for severely disadvantaged youth.

A program rescission of $207,976,000 in the Grants to States activity reflects a reduction in the Job Training Partnership Act (JTPA) Summer Youth Employment and Training Program. A program rescission of $208,061,000 in the Federally Administered programs activity reflects a proposed reduction in Job Corps training capacity, reductions in Native Americans, Migrant and Seasonal Farmworkers and Veterans' programs to reflect statutorily required funding levels, and discontinuation of supplemental funding for the Rural Concentrated Employment Program service delivery areas.

1986 Revised Estimate

Grants to States

A rescission of $207,976,000 is requested for the Summer Youth Employment and Training Program. This will reduce funding for subsidized jobs in the summer of 1987 to $427,950,000. This reduced funding level accompanies a request to target funds to those areas where youth labor market problems are most severe, and fewer unsubsidized summer jobs are available. At present, funds are distributed nationwide using a formula which inadequately targets funds. The result is that many areas are unable to spend all of the funds provided, while other areas have indicated the demand for summer jobs continues to exceed the number available.

Federally Administered Programs

Rescissions of $725,000 for the Native Americans program, $703,000 for the Migrant and Seasonal Farmworkers program and $576,000 for the Veterans' Employment program are requested to bring financing of these programs authorized under Title IV of JTPA into conformance with statutory provisions which specify program funding levels. A rescission of $9,570,000 is also requested to discontinue set-aside funding which inappropriately augments the four Rural Concentrated Employment Program service delivery areas' funding beyond that provided by Governors.

A rescission of $196,487,000 of the $612,480,000 presently available for the Job Corps is also requested. This rescission represents savings which will result from program reforms proposed to decrease costs and improve effectiveness. Poor performing, higher costing centers will be closed with those remaining being geographically distributed to provide reasonable access to disadvantaged youth in need of the type of learning environment offered by the program. Improved linkages with JTPA youth programs operated locally throughout the country will be strongly encouraged so that these two programs with common objectives will better complement each other. A number of innovative pilots and demonstrations projects to further reduce costs and improve program effectiveness will also be initiated. These changes will be accompanied by a reduction in training slots available from 40,500 to 22,000. This capacity reduction would be achieved by closing approximately one-half of the present 107 Job Corps Centers. After the closing centers have been selected, the capacity reduction process would begin with a freeze on new enrollments at these centers effective in May 1986. The center closings would then be accomplished on a staggered basis starting in July 1986 and ending no later than December 1986. This change, by decreasing costs and improving effectiveness, will increase the number of successful outcomes among remaining centers, offsetting, to a large extent, the decrease in capacity. The $415,993,000 which will remain for Program Year 1986 will be sufficient to carry out the capacity reduction process, while continuing to invest approximately $17,000,000 for capital improvements to those facilities remaining open.

EMPLOYMENT AND TRAINING ADMINISTRATION

TRAINING AND EMPLOYMENT SERVICES

	Page No.
Appropriation language	1
Schedules:	
Program and financing	2
Summary of changes	3
Analysis of 1986 appropriation/supplemental	4
Narrative justification:	
General statement	5
Activity:	
Grants to States	6

EMPLOYMENT AND TRAINING ADMINISTRATION

TRAINING AND EMPLOYMENT SERVICES

For an additional amount for "Training and employment services", $74,000,000 for activities authorized by section 301(c) of the Job Training Partnership Act to remain available through June 30, 1987.

Type size
10 point 22 picas
Caps 160
Red underscore
Caps 210

STANDARD FORM 300
July 1966, Bureau of the Budget
Circular No. A-11, Revised.
300-101

TESS-2

EMPLOYMENT AND TRAINING ADMINISTRATION
TRAINING AND EMPLOYMENT SERVICES

Program and Financing (in thousands of dollars)

Identification code 16-0174-1-1-504	19 86 actual	19 86 estimate	19 86 estimate
		Presently Available	Revised Estimate	Proposed Supplemental
Program by activities:				
Direct program:				
1. Grants to States:				
a. Block grant		1,781,930	1,781,930	--
b. Summer youth employment and training program		724,549	724,549	--
c. Dislocated worker assistance		125,537	144,037	18,500
2. Federally administered programs:				
a. Native Americans		59,571	59,571	--
b. Migrant and seasonal farmworkers		58,493	58,493	--
c. Job Corps		615,565	615,565	--
d. Veterans' employment		9,557	9,557	--
e. National activities		59,819	59,819	--
f. Trade adjustment assistance		24,882	24,882	--
Total obligations (object class 41.0)		3,459,903	3,478,403	18,500
Financing:				
21.40 Unobligated balance available, start of year		-1,257,691	-1,257,691	--
24.40 Unobligated balance available, end of year		1,134,980	1,190,480	55,500
40.00 Budget authority (appropriation)		3,337,192	3,411,192	74,000
Relation of obligations to outlays:				
71.00 Obligations incurred, net		3,459,903	3,478,403	18,500
72.40 Obligated balance, start of year		3,609,923	3,609,923	--
74.40 Obligated balance, end of year		-3,368,358	-3,384,258	-15,900
77.00 Adjustments in expired accounts		-15,000	-15,000	--
90.00 Outlays		3,686,468	3,689,068	2,600
(Memo entr. 21.3)		(Memo entr. 3)	(Memo entr. 5)	(Memo entr. 6.2)

SUMMARY OF CHANGES

	1986 Presently Available	1986 Revised Estimate	1986 Proposed Supplemental
Budget Authority:			
General Funds	$3,335,111,000	$3,409,111,000	$74,000,000

	General Funds
Explanation of Changes:	
Increase:	
Program:	
To provide for an additional 78,500 participants in Dislocated Worker Assistace Programs including many who lost jobs due to imports	+74,000,000
Total Change	+74,000,000

ANALYSIS OF 1986 APPROPRIATION/SUPPLEMENTAL

	1986 Appropriation	Gramm-Rudman Hollings P.L. 99-177	Section 515/ C.F.A. Withholdings	1986 Presently Available	1986 Revised Estimate	1986 Proposed Supplemental
1. Grants to States	$2,627,700,000	-$112,937,000	-$1,252,000	$2,513,511,000	$2,587,511,000	$74,000,000
a. Block grant	1,863,151,000	-80,066,000	-1,155,000	1,781,930,000	1,781,930,000	—
b. Summer youth employment and training programs	664,569,000	-28,573,000	-50,000	635,926,000	635,926,000	—
c. Dislocated worker assistance	100,000,000	-4,298,000	-47,000	95,655,000	169,655,000	74,000,000
2. Federally administered programs	859,345,000	-36,916,000	-829,000	821,600,000	821,600,000	—
a. Native Americans	62,243,000	-2,676,000	—	59,567,000	59,567,000	—
b. Migrant and seasonal farmworkers	60,357,000	-2,595,000	—	57,762,000	57,762,000	—
c. Job Corps	640,000,000	-27,520,000	—	612,480,000	612,480,000	—
d. Veterans' employment	9,667,000	-416,000	—	9,251,000	9,251,000	—
e. National activities	61,078,000	-2,591,000	-829,000	57,658,000	57,658,000	—
Technical assistance and training	(5,900,000)	(-254,000)	(—)	(5,646,000)	(5,646,000)	(—)
Labor market information	(4,290,000)	(-184,000)	(—)	(4,106,000)	(4,106,000)	(—)
Research and evaluation	(15,190,000)	(-618,000)	(-829,000)	(13,743,000)	(13,743,000)	(—)
NCEP	(2,000,000)	(-86,000)	(—)	(1,914,000)	(1,914,000)	(—)
NOICC	(3,000,000)	(-129,000)	(—)	(2,871,000)	(2,871,000)	(—)
Pilots and demonstrations	(20,698,000)	(-890,000)	(—)	(19,808,000)	(19,808,000)	(—)
Rural concentrated employment programs	(10,000,000)	(-430,000)	(—)	(9,570,000)	(9,570,000)	(—)
f. Trade adjustment assistance	26,000,000	-1,118,000	—	24,882,000	24,882,000	—
Total, budget authority	3,487,045,000	-149,853,000	-2,081,000	3,335,111,000	3,409,111,000	74,000,000

EMPLOYMENT AND TRAINING ADMINISTRATION
TRAINING AND EMPLOYMENT SERVICES

JUSTIFICATION

	1986 Presently Available	1986 Revised Estimate	1986 Proposed Supplemental
1. Grants to States.....	$2,513,511,000	$2,587,511,000	$74,000,000
a. Block grant.....	1,781,930,000	1,781,930,000	--
b. Summer youth employment and training program..	635,926,000	635,926,000	--
c. Dislocated worker assistance.....	95,655,000	169,655,000	74,000,000
2. Federally administered programs.....	821,600,000	821,600,000	--
a. Native Americans.....	59,567,000	59,567,000	--
b. Migrant and seasonal farmworkers.....	57,762,000	57,762,000	--
c. Job Corps.....	612,480,000	612,480,000	--
d. Veterans' employment....	9,251,000	9,251,000	--
e. National activities.....	57,658,000	57,658,000	--
f. Trade adjustment assistance	24,882,000	24,882,000	--
Total, Budget Authority.....	3,335,111,000 1/	3,409,111,000	74,000,000

1/ Included in 1986 Presently Available above:

Sequestered under P.L. 99-177.....	-$149,853,000
Withdrawal pursuant to P.L. 99-190.....	-$829,000
Withdrawal pursuant to P.L. 99-239.....	-$1,252,000

General Statement

Grants to States for Job Training Partnership Act (JTPA) Block Grants, Dislocated Worker Assistance Programs and the Summer Youth Employment and Training Program give Governors the primary responsibility for the operation of training programs in their States. In partnership with the private sector and all levels of government, new training programs have been implemented, designed to increase participant skills and competencies as well as private sector placement. Separate programs designed to meet the training and employment needs of the specific population segments experiencing unique employment problems account for most of the funds requested for Federally administered programs. Programs for Indians and Native Americans as well as for migrant and seasonal farmworkers are conducted under JTPA. A program authorized by Title IV of JTPA for veterans in need of training and employment assistance was introduced in 1984. The Job Corps provides training opportunities for severely disadvantaged youth.

A proposed supplemental of $74,000,000 to be available for obligation through June 30, 1987, is requested for the Grants to States activity, specifically for the Dislocated Worker Assistance Program authorized by title III of JTPA.

1986 Revised Estimate

Grants to States

The proposed supplemental of $74,000,000 for the Dislocated Worker Assistance program is requested for the discretionary use of the Secretary of Labor as authorized by Section 301(c) of the Job Training Partnership Act. The funds would be used to assist dislocated workers, especially those who lost jobs because of imports, to find new jobs. This adjustment assistance would be in the form of training and other assistance to qualify for jobs in demand rather than in the form of cash benefits which in the past has been both expensive and of questionable long-term value.

The proposed language providing discretionary use of the funds requested rather than requiring a formula distribution will allow the Department of Labor to target funds immediately for specific dislocations identified by the States. This is preferable to the lengthy certification process under the Trade Adjustment Assistance Program (TAA), which is presently required before workers can receive adjustment assistance, and to the formula allocation specified in JTPA which allocates resources without regard to specific State dislocated worker problems.

Because of the forward funding provision under JTPA which provides for a July through June program year, a total of $74,000,000 is requested for the period extending through June 30, 1987. It is expected that approximately $37,000,000 will be expended in Program Year 1986 and most of the remaining funds expended in Program Year 1987.

This $74,000,000 increase for the Dislocated Worker Assistance program will provide various forms of training and other worker adjustment assistance to approximately 78,500 workers, including 39,800 in Program Year 1986.

EMPLOYMENT AND TRAINING ADMINISTRATION

STATE UNEMPLOYMENT INSURANCE AND
EMPLOYMENT SERVICE OPERATIONS

	Page No.
Appropriation language	1
Analysis of appropriation language	2
Schedules:	
Amounts available for obligation	3
Program and financing	4
Summary of changes	5
Narrative justification:	
Employment service	6

ANALYSIS OF APPROPRIATION LANGUAGE

Language Provision	Explanation
"In the appropriation language under this heading in Public Law 99-178, delete "$2,456,240,000" and substitute $2,346,711,000, delete "$769,500,000" and substitute $732,500,000."	The substitute amounts shown reflect the reductions taken under P.L. 99-177 of $105,618,000 and this negative supplemental of $3,911,000 and their effect on ES Allotments to States.

SUIESO-3

AMOUNTS AVAILABLE FOR OBLIGATION

	1986 Presently Available	1986 Revised Estimate	1986 Proposed Supplemental
Appropriation	$23,600,000	$23,600,000	---
Sequestered under P.L. 99-177	-1,015,000	-1,015,000	---
A. Subtotal, appropriation	22,585,000	22,585,000	---
Offsetting collections from:			
Trust funds	2,456,240,000	2,456,240,000	---
Sequestered under P.L. 99-177	-105,618,000	-105,618,000	---
Proposed supplemental	---	-3,911,000	-$3,911,000
Subtotal, Trust funds	2,350,622,000	2,346,711,000	-3,911,000
B. Total Available Budget Authority and Trust Funds	2,373,207,000	2,369,296,000	-3,911,000
Unobligated trust funds, start of year	+619,018,000	+619,018,000	---
Unobligated trust funds, end of year	-589,129,000	-586,000,000	-3,129,000
Unobligated general revenue funds, end of year	-17,379,000	-17,379,000	---
Change in the amount of trust funds used due to lower workloads	-18,853,000	-18,853,000	---
C. Total, estimated obligations	2,366,864,000	2,366,082,000	-782,000

SUIESO-4

STANDARD FORM 300
July 1964, Bureau of the Budget
Circular No. A-11, Revised.

DEPARTMENT OF LABOR
EMPLOYMENT AND TRAINING ADMINISTRATION
STATE UNEMPLOYMENT INSURANCE AND EMPLOYMENT SERVICE OPERATIONS

Program and Financing (in thousands of dollars)

Identification code 16-0179-1-1-504	1986 actual	1986 estimate	1986 estimate
	Presently Available	Revised Estimate	Proposed Supplemental
Program by activities:			
Direct Program:			
1. Unemployment compensation:			
a. State operations	1,100,512	1,100,512	...
b. State integrity activities	212,933	212,933	...
c. National activities	2,783	2,783	...
d. Contingency	252,487	252,487	...
2. Employment service:			
a. Allotments to States	770,645	769,863	-782
b. National activities	27,504	27,504	...
Total direct program	2,366,864	2,366,082	-782
Reimbursable program	9,000	9,000	...
10.00 Total obligations (object class 41.0)	2,375,864	2,375,082	-782
Financing:			
Offsetting collections from:			
11.00 Federal funds	-9,000	-9,000	...
13.00 Trust funds	-2,361,658	-2,360,876	-782
24.40 Unobligated balance available, end of year	17,379	17,379	...
40.00 Budget authority (appropriation)	22,585	22,585	...
Relation of obligations to outlays:			
71.00 Obligations incurred, net	5,206	5,206	...
72.40 Obligated balance, start of year	111,160	111,160	...
74.40 Obligated balance, end of year	-93,000	-93,000	...
90.00 Outlays	23,366	23,366	...
(Memo cost: 31.0)	(Memo cost: 0)	(Memo cost: 0)	(Memo cost: 4.0)

SUMMARY OF CHANGES

	1986 Presently Available	1986 Revised Estimate	1986 Proposed Supplemental	1987 Effects of 1986 Supplemental
Budget Authority:				
General Funds	$ 22,585,000	$ 22,585,000	---	---
Trust Funds	2,350,622,000	2,346,711,000	-$3,911,000	---
Total	2,373,207,000	2,369,296,000	-3,911,000	---
Unobligated balance, start of year	+619,018,000	+619,018,000	---	-3,129,000
Unobligated balance, end of year	-589,129,000	-586,000,000	-3,129,000	---
Unobligated general revenue funds, end of year	-17,379,000	-17,379,000	---	---
Trust Funds, unused	-18,853,000	-18,853,000	---	---
Estimated Obligations:				
General Funds	5,206,000	5,206,000	---	---
Trust Funds	2,361,658,000	2,360,876,000	-782,000	-3,129,000
Total	2,366,864,000	2,366,082,000	-782,000	-3,129,000

	Trust Funds	General Funds	Total
Explanation of Changes:			
Decrease:			
Program:			
To provide for a decrease in Program Year 1986 trust fund authority for basic employment service allotments to States.	-$3,911,000	---	-$3,911,000
Total Change	-3,911,000	---	-$3,911,000

1/ Obligation impact: $782,000 in 1986 and $3,129,000 in 1987.

SUIESO-6

EMPLOYMENT AND TRAINING ADMINISTRATION

STATE UNEMPLOYMENT INSURANCE AND EMPLOYMENT SERVICE OPERATIONS

JUSTIFICATION

	1986 Presently Available	1986 Revised Estimate	1986 Proposed Supplemental
Employment Service:			
a. Allotments to States.....	$758,135,000	$754,224,000	-$3,911,000
b. National Activities.....	27,504,000	27,504,000	---
Total Budget Authority.....	785,639,000 1/	781,728,000	-$3,911,000
1/ Included in 1986 Presently Available above:			
Sequestered under P.L. 99-177..	-35,301,000		

General Statement

The public employment service is a nationwide system providing no-fee employment services to individuals who are seeking employment and employers who are seeking workers. State employment service activities are financed by allotments to States distributed under a formula, based on each States' share of civilian employment and unemployment, established under the Wagner-Peyser Act, as amended. Employment service allotments are funded on a program year basis running from July 1 through June 30 of the following year.

Employment service activities serving national needs including interstate job listings, labor certification of aliens and the Targeted Jobs Tax Credit Program are conducted through specific reimbursable agreements between the States and the Federal Government under the Wagner-Peyser Act, as amended.

1986 Revised Estimate

This proposal is part of overall efforts to control expenditures and would reduce the authority to spend from the Unemployment Trust Fund for Program Year 1986 Employment Service (ES) allotments by $3,911,000. When added to the reduction required by P.L. 99-177, this change would reduce grants for Program Year 1986 ES allotments 3.0 percent below the level of allotments for Program Year 1985.

TUESDAY, MARCH 4, 1986.

EMPLOYMENT AND TRAINING ADMINISTRATION

TRAINING AND EMPLOYMENT SERVICES

PROGRAM ADMINISTRATION

COMMUNITY SERVICE EMPLOYMENT FOR OLDER AMERICANS

WITNESSES

ROGER D. SEMERAD, ASSISTANT SECRETARY OF LABOR
ROBERTS T. JONES, DEPUTY ASSISTANT SECRETARY OF LABOR
JANICE M. SAWYER, ADMINISTRATOR, OFFICE OF FINANCIAL CONTROL AND MANAGEMENT SYSTEMS
MARY ANN WYRSCH, DIRECTOR, OFFICE OF BUDGET

Mr. NATCHER. We take up next the 1987 budget request.

SUMMARY OF 1987 REQUEST

Mr. SEMERAD. Thank you very much, Mr. Chairman. I appreciate the opportunity to continue. I would like to summarize our request. And we will submit my detailed testimony for the record.

The request you have before you will permit us to continue to build upon the remarkable success achieved under JTPA. To that end, funding for the block grant component of JTPA is increased slightly, it will serve over one million participants. While the request involves some reductions, our programs will continue to provide a wide array of services to those most in need. The 1987 budget request totals $3.3 billion and includes support for the Job Training Partnership Act, the Community Service Employment for Older Americans Program, and for Federal Salaries and Expenses.

Our fiscal year 1987 budget is based on a revised 1986 request which reflects reductions, mandated by Gramm-Rudman-Hollings, and proposed changes to certain programs to establish levels consistent with our 1987 level request.

With respect to the training programs, the request involves a number of major changes. As the JTPA system matures, we need to provide the states and local areas the support to in mature, develop, and share their innovative ideas, which, as I mentioned earlier, are emerging from their particular efforts at the local level. We will continue our active role through a program of technical assistance.

Our request includes increases for pilots and demonstrations and for research and evaluation to test innovative models and approaches that states and SDAs typically cannot afford to undertake on their own.

With respect to the summer youth program, our request assumes the current formula distribution of funds to all areas will be replaced with a procedure that will target the funds to those areas with critical youth unemployment problems, generally large urban areas.

Beginning in fiscal year 1987, we are proposing that all dislocated worker funds, $100 million, be targeted by the Secretary to areas undergoing severe economic change and disruption. Formula distribution of funds will be discontinued in this program.

While we are proposing a reduction in funding for the Job Corps consistent with its reduced size, we are also making major efforts to improve the program and reduce its costs. Because we will retain the best and most efficient centers and institute other improvements, the resulting Job Corps program will more effectively utilize budgeted resources. A major focus of our training programs with our current resource restraints must be on coordination and linkages with other public and private agencies addressing similar problems.

Two examples of how we are presently using our pilots and demonstration funds and research programs to that end include a program called Job Start, which is testing non-residential Job Corps type services for dropouts. And we are doing this in cooperation with the Ford Foundation and some other foundations with private money. And a program called STEP, S-T-E-P, which tests combining summer jobs with remedial education to prevent dropouts. And we are doing this program in cooperation with Health and Human Services and again with the Ford Foundation.

For Community Service Employment for Older Americans, the amount we are requesting, $326 million, restores funding to the level provided in the 1986 appropriations prior to Gramm-Rudman-Hollings reductions. It will provide part-time employment for almost 90,000 low income older workers.

The fiscal year 1987 Program Administration request for ETA involves a net decrease of 104 positions to a staff level of 1659 due to the closeout of the Work Incentive program and reductions in trade activity and Job Corps reductions. The reduction will be accomplished without RIFs or furloughs.

Because we believe more creative ways have to be found to speed up the return to work of UI recipients, we are testing a program demonstration project in New Jersey to see whether we can find a way to do that. In calendar year 1985 three of every ten claimants exhausted available benefits before finding new jobs. Therefore, we are proposing a one-time increase in fiscal year 1987 to continue to learn and to expand alternative re-employment demonstration pilots to foster more effective use of UI resources.

Mr. Chairman, my staff and I will be happy to answer any questions that you or other members of the Subcommittee may have at this time.

[Statement of Mr. Semerad follows:].

Statement by Roger D. Semerad
Assistant Secretary of Labor
House Appropriations Subcommittee
Fiscal Year 1987 Budget Request
Employment and Training Administration
Training and Employment Services
Community Service Employment for Older Americans
and
Program Administration

Mr. Chairman, and Members of the Subcommittee, thank you for this opportunity to appear before you. The 1987 budget for training and employment programs which you are considering totals $3.2 billion and is comprised of $2.9 billion for Training and Employment Services and $326 million for Community Service Employment for Older Americans. The request before you also includes $112.7 millior for the Program Administration account which covers the fiscal year 1987 staffing and related expenses of the Employment and Training Administration. The 1987 request covers the program year July 1987 through June 1988 for programs authorized under the Job Training Partnership Act of 1982 and Title V of the Older Americans Act. The Program Administration account operates on a fiscal year funding basis. The budget includes a number of changes, primarily to reorder our resources to focus on those most in need of assistance and to meet deficit reduction targets.

The 1987 budget is based on a revised 1986 request reflecting changes which would reduce Fiscal Year 1986 availability by $342.0 million for the accounts being discussed. These changes include a supplemental 1986 appropriation for the Dislocated Worker Assistance program of $74 million and rescissions for the Summer Youth Employment and Training Program, Job Corps and several other Federally Administered programs totaling $416 million. In addition to these changes, $168.6 million in reductions associated with the Balanced Budget and Emergency Deficit Control Act of 1985 are assumed for 1986 in these accounts.

Training and Employment Services

The 1987 budget request for the Training and Employment Services appropriation is $2.91 billion, a net decrease of $85.5 million from the revised 1986 level of $3.0 billion. The revised 1986 level reflects the proposed supplemental and rescission as well as a reduction of $149.9 million in accordance with the provisions of the Balanced Budget and Emergency Deficit Control Act of 1985.

Approximately 2 million participants will be served by the 1987 request; 188,000 less than the 1986 programs. The request provides for two major activities: Grants to States ($2.35 billion) and Federally Administered programs ($561.6 million).

Grants to States

Three programs are funded within the Grants to States activity: the basic Block Grant training program; the Summer Youth Employment and Training program; and the Dislocated Worker Assistance program.

59-364 O - 86 - 32

These three JTPA programs have had impressive achievements since they began in October 1983. Over 3.4 million persons have participated in these programs during the first 21 months of operation, with a large number placed in permanent jobs upon completion. The placement rate nationally is impressive, far exceeding our national standards. Approximately 64 percent of people leaving the Block Grant program were placed in jobs. A slightly higher percentage was reported under the Dislocated Worker Assistance program. The achievements are due in large part to the excellent partnership, especially with the private sector, evident throughout every level of the JTPA system.

The 1987 request for the Block Grant is $1.82 billion, an increase of $38 million over the revised 1986 level. Due to increased costs and fewer unexpended prior year funds available in 1987, there will be a slight decrease in the projected average annual enrollment level, from 333,000 to 319,000. Nevertheless, more than one million economically disadvantaged persons will be served by this program.

The 1987 request for the Summer Program, which will operate during the summer of 1988, is $428 million, the same as the revised 1986 request. It is anticipated that 414,300 economically disadvantaged youth will be served. We expect that a number of program design changes, including an option for local areas to provide increased literacy training for youth with academic deficiencies, will begin during the 1987 program. Beginning with the 1987 Summer Program financed with 1986 funds, we are proposing that all of the program's resources be distributed in a manner which will target funding to areas with the most severe youth unemployment problems.

The 1987 request for the Dislocated Worker Assistance program is $100 million, which will produce an estimated 53,100 average enrollment level serving one quarter of a million persons during the year. The request includes appropriation bill language allowing the Secretary to distribute all Title III resources at his discretion, thereby focusing them on areas with the most severe displacement problems. The 1987 request continues the revised 1986 discretionary level resulting from the $74 million 1986 supplemental. The formula portion of the program would not be continued. However, more precise targeting allowed by the discretionary provisions will permit continued service to those communities with the most severe needs.

Federally Administered Programs

The request for Federally administered programs is $561.6 million, a net decrease of $52.8 million below the revised 1986 level of $614.4 million. Increases of $20.9 million and $10.6 million are requested for the Pilots and Demonstrations, and the Research and Evaluation programs, respectively. Most of the additional funds for these programs will be used to develop, study, and test innovative training approaches to assist dislocated workers and youth, particularly disadvantaged minority youngsters who have exceedingly high jobless rates. Increases totaling $4.2 million are also requested for the Native Americans, Migrant and Seasonal Farmworkers and Veterans' programs to provide funding at JTPA statutorily-

determined levels. Program decreases are reflected for the Job Corps and Trade Adjustment Assistance programs. A decrease of $64.3 million results from the completion of proposed 1986 program changes in the Job Corps to decrease costs and improve the program's effectiveness. The reforms are accompanied by a 1986 rescission of $196.5 million reflecting a decline in program capacity from 40,500 to 22,000, the level maintained before the Fiscal Year 1977 program expansion.

No funds are requested for retraining, job search, and relocation assistance under the Trade Act of 1974, for which resources are provided through Fiscal Year 1986. The revised JTPA Title III program can provide faster and better service to workers affected by imports.

Community Service Employment For Older Americans

The request for the Community Service Employment for Older Americans program is $326 million, a $14 million increase above 1986 operating levels. It is divided between two budget activities: National Programs at $254.3 million and State Programs at $71.7 million. Funding provided in 1987 will support activities during the program year beginning July 1, 1987 and will support an average enrollment level of 63,780.

Program Administration

The 1987 request for ETA's federal staffing requirements totals $112.7 million and 1,659 full-time equivalent (FTE) positions, a net increase of $4.0 million and a net decrease of 104 positions from the 1986 comparable level of $108.8 million and 1,763 FTE positions. The FTE reductions primarily reflect reduced staffing for Job Corps, completion of WIN closeout activities, reduced Trade Act activities and increased productivity throughout the agency.

The request includes a one-time $10.0 million increase for Unemployment Insurance Research and Training to provide for the expansion of alternative reemployment demonstration pilots which will test strategies aimed at expediting the return of the potentially long-term unemployed to work. The effects of sequestration required by the Balanced Budget and Emergency Deficit Control Act of 1985 are reflected within our request before you. ETA expects to accomplish the required reductions without a reduction-in-force or staff furloughs.

In 1987, the Unemployment Insurance Quality Control program, expansion of the Pilots and Demonstration and Research and Evaluation programs and the capacity reduction of the Job Corps program will be major priority areas. Staffing and resources for the Job Corps program have been reduced reflecting fewer contract centers.

This concludes my statement, Mr. Chairman. My staff and I will be happy to answer any questions you, or members of the Subcommittee, may have.

BACKGROUND OF WITNESS

Mr. NATCHER. Thank you, Mr. Semerad. How long have you been the Assistant Secretary?

Mr. SEMERAD. I was sworn in at the beginning of October, 1985, Mr. Chairman.

Mr. NATCHER. Just briefly now, what is your background?

Mr. SEMERAD. My immediate background was in the think tank business, with the Brookings Institution, where I was executive vice president. As you will recall, Secretary Brock and I, when he was in the Senate, were founders of a program called 70,001, working with disadvantaged young people, a program that now is throughout the United States.

I retired from that chairmanship upon agreeing to join Bill Brock at the Department of Labor. I served Presidents Nixon and Ford on the old Domestic Council. I had education and labor and veterans affairs as my portfolio in those days and had an opportunity to work with the Labor Department on many of these issues at that time.

If you recall, one of the things that happened was the transition from MDTA to the CETA program and all the consternation which that caused back in the early seventies.

My career really has been spent in both business and Government, working towards finding ways for young people in particular to get on a sound track with their lives. We have addressed these programs extensively over the years. And we are still searching for ways to address the problem.

CONDITION OF AGENCY

Mr. NATCHER. Are you satisfied generally with the overall condition of the agency, or do you plan to make significant organizational or management changes?

Mr. SEMERAD. Well, I am extremely pleased, Mr. Chairman, with the quality of staff that I have inherited at the Department of Labor, in the Employment and Training Administration. As you know, they had some difficulties as programs wound down under CETA, and they were sort of waiting, I think, to see what was going to happen next.

And I am pleased to report that I think that our budget symbolizes a stabilization of our programs, and we are not anticipating major changes in the structure or the personnel of the Employment Training Administration. They are dedicated professions. They care about the people they are mandated to serve. And we are, I think, re-energized if you will with Secretary Brock's goals and objectives for the whole Department.

Clearly a significant amount of the resources available of the Department of Labor are in the employment and training area. So we have a special responsibility to serve the Congress and our Secretary and our President to make sure that we do the best job possible. But I am very pleased with the caliber of people and their commitment to the programs that we are charged with administering.

Mr. NATCHER. Are all of the top jobs in the agency filled?

Mr. SEMERAD. Yes, they are, sir.

GRAMM-RUDMAN

Mr. NATCHER. The 1986 sequester order under Gramm-Rudman reduced these accounts by a total of $168.6 million, as you know. How much of this was restored in the 1987 budget?

Ms. SAWYER. The budget display shows you what the Gramm-Rudman level was. That is where we start. For most of the accounts, the '87 request does restore the Gramm-Rudman cut. For example, TAT, you can see it moving from $5.9 million down to $5.6 and back up to $5.9. The major adjustments in the '87 request have to do with Job Corps and summer jobs, as you have been discussing.

PILOTS AND DEMONSTRATIONS

Mr. NATCHER. I believe you are requesting an increase in 1987 of $20 million for job training pilots and demonstrations. Why is it necessary to double this activity at a time when budgets are being cut?

Mr. SEMERAD. Mr. Chairman, I think this is an area that provides us some flexibility to address promising efforts that we are discovering in our communications with our partners in the field to see whether or not we can replicate those efforts. In those accounts we also have a number of national programs that we continue to fund. They are doing excellent work throughout this country, again dealing with special constituencies.

And we just feel that we need to keep going with what is working and at the same time expand our horizons a bit and maybe do some things that local communities just cannot do, due to resource constraints.

Mr. NATCHER. Mr. Conte, I will yield to you.

70,001

Mr. CONTE. Thank you, Mr. Chairman.

Mr. Semerad, it is good to have you here again today. I thought you did a good job in supporting Secretary Brock the other day.

Your background, as you told the Chairman, comes from directing one of those training programs for teenagers that is supported through pilots and demonstration programs from the JTPA "national activity" line. You mentioned to the Chairman the 70,001 program that you directed.

Can you tell us a little more about that program, whether it is a good use of Federal funds, and what you got out of it?

Mr. SEMERAD. Mr. Conte, I, of course, have no official involvement with 70,001 at this time. However, I probably cannot be totally impartial. I happen to think it is a very good program.

We started in a storefront in Wilmington, Delaware, in 1969 with private money. And it is now in about 60, 70 sites around the United States working with 16 to 22 year old young people, about even male and female, 60 percent non-white, 30 percent of them kids with kids of their own, 25 percent of them have experienced the criminal justice system.

And we have always had very strong involvement with the business community. We have over 100 members of Congress who serve

in an advisory capacity to 70,001. I think probably somewhere around 30 percent of 70,001 money comes from Federal sources now. It started out a little heavier and is working down. And clearly much more private money is going into that organization today.

But I think one of the significant successes is that over the years we have always found jobs for young people and probably had more jobs than we had young people going through the program. I guess while I was chairman of the board, they estimate somewhere between 45,000 and 50,000 graduated from 70,001. And I am very proud of that, because they were all kids that were probably going to end up in not very productive lives.

We never paid stipends. And I remember testifying on a number of occasions with your colleague, Mr. Hawkins, who can never understand how we could have such a success rate of 75 percent year in and year out without paying stipends. But the fact is that we did not---

Mr. CONTE. You mean no stipends to the students?

Mr. SEMERAD. To the kids, which we thought was a strong factor in providing the motivation and self respect to get up and get going. It was a program that got them into GED programs, got them into entry level jobs in private sector, and got them on their way.

It is good experience for me, it is a thing I am very proud of personally. It is also very useful, because now under JTPA, private-public relationship is the key. I already knew that it works. The fact is that there are no stipends, no pay. In JTPA, I think that most of the young people that we are trying to serve have other public funds available to them. And we do not need to confuse income transfer with giving these people the opportunity to get their act together, get their education, learn how to survive in the world of work, and learn what the world of work is.

And all of these kids fall into the target group. They are all disadvantaged kids, and as you have to in any of these programs, whether it is 70,001 or programs under JTPA, you have to give a lot of credit to those dedicated people in the local communities, whether they are local school counselors or in the judicial system, that take these young people under their wing and give them that kind of face-to-face daily involvement.

And I think we here in Washington have an obligation to do whatever we can to not only provide resources but also leadership, and to use our position, our departments, our Congress, whatever, to really get people behind all of this. And it works. There are many marvelous stories out there, as you know.

Mr. CONTE. How did you recruit the applicants?

Mr. SEMERAD. Young people came from schools, the judges, probation officers. We did public service announcements. There was a lot of peer recruitment. Once one would go into the program and decide it was pretty good, they would draw in others.

But the young people are there, as you know, with the number of dropouts that we are continuing to produce. Dropouts are what I call pushouts in this system. They are just a large population of young people that just do not make it for a variety of reasons in our structured system of public education. They need a different

environment with a different set of sensitivity and understanding of the people that are trying to intervene in their lives.

UPWARD BOUND

Mr. CONTE. Are you familiar with the TRIO program?

Mr. SEMERAD. No, I am sorry.

Mr. CONTE. The Upward Bound program.

Mr. SEMERAD. Yes, sir.

Mr. CONTE. I was in a press conference last week with Congressman Stokes. He and I and Mr. Ford all have a resolution to commemorate the TRIO program. And one of the students there got up, a woman who had spent five years in a reform school. She got into the TRIO program, and she went to college, and she graduated from Albany, and medical school. And she is a very successful doctor now, medical doctor, in Ohio.

It was one of the most moving stories I think I ever heard. I can imagine your 70,001 saved a lot of kids, as well.

Mr. SEMERAD. Yes, sir, we would like to think so. I think one of the most moving talks to the young people that we ever had was given right here in this building by Shirley Chisholm, who had been a dropout at one time. And she literally had the whole room in tears as she went through and reconstructed how somebody took her by the hand.

Mr. CONTE. She was part of the TRIO program too.

Mr. SEMERAD. That is correct.

I think all of these programs have something in common—they begin to quickly establish self-confidence and self-respect in the participants. And because of the commitment of the folks that are providing the program, it begins to increase hope.

And I think one of the things that the Secretary and I see in programs we go to, whether it is teen pregnancy programs or job training programs around the country, is that the youth population that is having so much trouble has lost hope. They are discouraged.

And we need to find ways, and JTPA is doing a good job, to link them back up with the system and the economy. Because as you well know, the demographics suggest that we are very close to the time when we are going to need these young people. It is not just a matter of what is nice or our moral obligation to help them. We are going to need them in this American economy if we are going to be competitive.

And I think that that is really a major effort that we are trying to generate in the Department of Labor.

PILOTS AND DEMOS

Mr. CONTE. I think I know the answer to this question, but is there a connection between your working with what is apparently a very successful national pilot and demo program and the reversal that is in this budget here today of Secretary Brock, which is seeking to double the pilot and demonstration funds compared to the former Secretary of Labor, who sought to terminate all those funds?

Mr. SEMERAD. Well, Mr. Conte, I have to tell you that obviously I believe in these organizations. I have seen how they are really ef-

fective and important partners with the Department of Labor. Now that I sit in the other chair and on the other side of the table, I am pleased to say it is not just 70,001, it is a number of programs. They are very good partners of mine.

They do important work. They have done it for a long period of time, so they are proven. And they are clean, and they are survivors.

You will recall they have come and gone over the years under CETA. When we had a lot of money, there were programs all over the place. And not many of them survived. They did not have the stability, and they ran their organizations as programs rather than companies if you will, public service companies.

But I guess the Secretary and I would have to admit that we feel that these kinds of pilots and demonstrations have an important part to play in whatever effective benefit and contribution the Department of Labor can make in the whole field.

Mr. CONTE. Thank you, Mr. Chairman.

Mr. NATCHER. Mr. Hoyer.

Mr. HOYER. Thank you, Mr. Chairman.

I hope some of the more conservative people in the White House read these transcripts. It sounds like we may have some bleeding heart liberals seeping into the Administration.

I felt for the Secretary and some of those folks who work for him when he appeared. You were here. I am a fan of the Secretary, as you know. I think he is a good fellow. I do not always agree with him on everything. But I think the attitude you and others are bringing to the Department that we can be successful and Government has a role to play from my standpoint is a very, very positive change.

Having said that and realizing the fiscal realities that confront you in your organization, let me talk about just a few things if I might.

First of all, let me say that I guess I am one of those hundred or so with the 70,001 program that had the opportunity of speaking just about 25 days ago to a graduation ceremony at the Sheraton. And it is a very impressive program. I congratulate you for your personal role in that program. I think it is very effective.

And I had an interesting discussion with the president, I suppose, executive director, the operative head. I forget his name.

Mr. SEMERAD. Larry Brown is the President.

Mr. HOYER. And it dealt with the Job Corps Program, and whether there was an overlap. And his observation was there was not an overlap, that there was really a different client group being served. The Committee is very interested in Job Corps and the role that it is playing.

JOB CORPS REDUCTION

It is my understanding that Job Corps is in effect targeted for approximately a one half cut. Although the funds will not be one half cut, the client group will go down from about 40,000 to about 22,000.

Now, consistent with what you have just said, Mr. Semerad, that is that not only are we helping these young people, but we need

these young people, we need to turn them into productive citizens as opposed to—leaching is a bad word, but we all know what I mean—takers. We want them to be givers. We want them to be participants.

It seems to me Job Corps does provide that role. I have talked to many people in the private sector, RCA for instance in my own area, who feel it is a very effective program. And, yes, it is expensive, but not as expensive as it would be in the long-term to house these folks in prison, welfare roles, et cetera, et cetera, et cetera.

In light of that can you tell me, are we justified in moving down the road of cutting very substantially the services to the folks that are being served now by Job Corps?

Mr. SEMERAD. Mr. Hoyer, I appreciate your comments about 70,001. And I think, yes, we are trying to emphasize human capital formation along with the other kinds of considerations. We are trying to bring the human elements into those considerations and make people aware that if this country is going to be productive, we have got to have a good, flexible, stable work force that is qualified and everything else.

I do not believe this is inconsistent with reducing the cost of the Job Corps and the number of centers, et cetera, if we can do a better job for less money and can move more people successfully through an improved program. But we are trying to bring a better return on the taxpayers' investment in these people.

And if we have a center that is costing $8,000 or $9,000 per placement, and we have another that is costing $19,000, there is a $10,000 discrepancy for the same quality. I would say that I need to focus resources on those centers that provide the lower cost per quality placement other than on the more expensive programs.

And I think that if indeed the Congress supports the reduction in the Job Corps budget, as I said the other day, I will not be personally happy at all with the idea of going from 40,000 slots to 22,000, not at all. You have my pledge and that of my staff and our whole Job Corps network, to make sure that we run more people through those slots.

We are running 1.7 persons through a slot now. We ought to be running two people through each of those slots, again bringing the cost down. And I think in response to the Chairman's question about why we do not just take a little bit from all the centers rather than trying to close any, what that does in effect is again drives up that per slot cost. And that is exactly the criticism that we bump into all the time.

And I would like to do a better job. I think we have learned a lot of lessons.

JOB CORPS COSTS

Mr. HOYER. Let me ask you something if I can. My time is limited and I always take too much time anyway. The Chairman will tell you that.

It seems to me one way to do that is somehow affect the way that it is being done in the center that costs $8,000 or $9,000, in that center that is costing $9,000, you can save the money, not close the

center, and serve the slots as you call them. It seems to me that would be the direction to move.

Because certainly none of us would want to argue if you can do something for $10,000, let us fund somebody at $19,000, if there is a way to affect that savings.

Can you comment just briefly on the difference between closing a program because it is not efficient and spending too much money, and the converse of making that program as efficient as some other program at half the cost but equal effectiveness.

Mr. SEMERAD. Well, I think that you are absolutely right. I think that one of the things that we have to bear in mind is that in terms of making a decision to close a site, there are other considerations, there are other criteria I mean, for example, you have got physical plant maintenance. Are we going to have to open a new one, do we own it or lease it, is a lease up? I mean there are a lot of elements that enter into how expensive a program is that might be addressed under different criteria.

I think we went through the criteria last time. We need to address not only the costs of instruction and everything else. But I mean, for example, can we bring a cost down by mixing non-residential with residential better?

I spoke out here at the Potomac Center graduation a couple of weeks ago. And I asked, How many non-residential Corps members are there? And they told me. And I asked what their success rate was. And interestingly enough——

Mr. HOYER. Probably not a whole lot of them living in the neighborhood.

Mr. SEMERAD. Well, interestingly, the non-residential success rate was slightly better than the residential. Now, that flies in the face of conventional wisdom that we have to take them out of the community.

I guess all it says is that there should not be any hard fast rule. It depends on the community, it depends on the young people. But we should be trying to do more along those lines. And maybe we should spend a lot of money moving people from urban areas far away from home, but that is an expense. Maybe there are a lot of things we need to consider.

I believe if you took the best lessons we learned in Kentucky, Utah, and Maryland, for example, and began to sort them out, then there would be pressure to change.

I guess why I am not panic stricken about the idea that I would have far less money on this, is that Gramm-Rudman-Hollings could force the focusing of resources to address that population.

SUMMER YOUTH TARGETING

Mr. HOYER. I would like to pursue that with you further if I can. Because I agree with that premise. You have got to keep a pressure on it. And the fact that we are doing it one way today is not necessarily the best way. I think we do get locked in.

For one thing we are defensive on this Committee. I think I speak for almost everybody, from Mr. Young to Mr. Hoyer, which covers the whole Committee, that we have been concerned about these programs.

Last question, Mr. Chairman if I might. Summer youth employment, tell me a little bit about your plan and your legislation to target the remaining funds that will be available. I am very concerned.

I represent, as you know, a district that has a heavy concentration of minorities. We also have a dangerously high level of minority unemployment and teenage unemployment which has tremendous social ramifications.

Tell me a little bit if you can about your plan to target and how will that work.

Mr. SEMERAD. Well, two things that we would really like to do in the summer youth employment program, are targeting and remediation. As you point out, the large percentage of young people who qualify and who indeed are the ones that the program is designed for are in large urban areas. And under the current formula basis it means that we are not always able to do everything that we need to do where the largest proportion of the young people are.

And the second part is that we want the summer programs to have more remediation. We want a literacy component in it. While you have the young people for the summer, their reading or calculating skills, vocational exploration, can be enhanced.

There is, at present, no prohibition against communities doing this now. We want to put more emphasis on that now.

Mr. HOYER. Has it been introduced or drafted?

Mr. SEMERAD. Senator Quayle is introducing it on the Senate side. Not only so they get the work experience, they have money in their pocket, but they also learn to read, which will have a carryover effect. And if you carry that over rather than a deterioration of skills during the summer months when kids are not in school, we think that would be a good idea.

I do not know whether you had come in, but offsetting the reduction in the number of jobs that would be available, we hope to do a better linkage with the private sector in hiring young people during the summer months.

As a matter of fact, last week we started the conversation with the folks at the White House who will put together a program encouraging employers to hire kids this summer. Maybe we could get the private sector to do more and have the aggregate higher. But we need to have the flexibility to get more resources into the large urban areas.

Mr. HOYER. Again, I thank you for your answers and thank you for your work in this and agreeing to take on this responsibility.

Thank you very much, Mr. Chairman.

Mr. NATCHER. Mr. Pursell.

Mr. PURSELL. No further questions. Thank you, Mr. Chairman.

RESEARCH AND EVALUATION

Mr. NATCHER. You also want an increase, I believe, of $10 million for research and evaluation. Why is this increase necessary at this time?

Go right ahead.

Mr. JONES. The current research budget of $15 million, Mr. Chairman, is largely taken up in long-term tracking studies of cli-

ents who come through the system, with very little flexibility to test and design those things which would allow us to enhance our services to more people by either changing or increasing services, and linking with other programs.

A small addition of $10 million will give us probably a much greater yield on these programs overall.

Mr. NATCHER. What specific projects do you have in mind? What are you planning to do if this is approved?

Mr. JONES. Mr. Chairman, this is a 1987 request, which we will not see for a year and a half from now because of our forward funding. But the primary targets of interest would be those programs which deal with youth, dislocated workers, and linkages with other state and local programs to enhance the kinds of services presently available.

There is a lot of effort now, as you see going into welfare work programs and youth training programs to determine the kinds of mixes and kinds of services that have a much better payoff, including Job Corps.

Mr. NATCHER. How do you plan to spend the 1986 appropriation for research and evaluation?

Mr. JONES. We would be happy to submit a list of those contracts to the Committee. The information follows:]

1986 RESEARCH AND EVALUATION SPENDING PLAN

The 1986 Research and Evaluation (R&E) program is budgeted at $13.7 million, reflecting Gramm-Rudman-Hollings sequestration and Section 515 withholding (P.L. 99-190). Virtually all of these funds will be devoted to supporting: (1) the National Longitudinal Survey, (2) the Job Training Longitudinal Survey, (3) the JTPA field experiments, and (4) a very limited number of innovative job training demonstrations like Jobstart (for school dropouts) and STEP (for summer enrichment).

STATE REPORTING

Mr. NATCHER. As we understand it, the States only report to you once a year concerning job training program expenditures. Is that correct?

Mr. JONES. Yes, sir.

Mr. NATCHER. Why would it not be better to get quarterly reports from the States so we could do a better job and be better informed?

Mr. JONES. We have had quarterly reports for many, many years. And I do not know that we did a great deal with them. Quarterly fluctuations tend to be up and down and do not give you much operational ability to impact them.

There probably is a justification for at least a semiannual report. We have requested that OMB give us that authority. But I would not suggest to the Committee that a great deal would be gained by quarterly reports.

BLOCK GRANT PROGRAM

Mr. NATCHER. How many people are currently enrolled in the Title II-A program?

Mr. JONES. Hang on just a minute here.

Mr. SEMERAD. Mr. Chairman, I have got 1,134,000.

Mr. JONES. That is our annual service figure. We run currently at about 350,000 at any one time in the program, for a total service during the year of about 1.1 million.

Mr. NATCHER. Will that figure remain about the same through 1987?

Mr. JONES. Yes, sir. It stays well above a million through '87. That is a target we have attempted to maintain in the system.

Mr. NATCHER. Can you give us the same information for Title III, the displaced worker program?

Mr. JONES. Yes, sir. The displaced worker program currently has about 72,000 people in it at the current time and will serve about 285,000 over the course of the year.

Mr. NATCHER. The budget justifications indicate an increase in cost per service year in the Title II-A program from $5,260 in program year 1985 to $5,723 in program year '87. Is this simply a result of inflation, or does it indicate that more services are being provided to each participant?

Mr. JONES. No, sir. This is basically an increase in inflation, the projected costs of delivering training.

Mr. NATCHER. Why is the unit cost for the Title III program only about half as much as the Title II-A program?

Mr. JONES. The Title III program, Mr. Chairman has resulted in a very high percentage of job search and job club kinds of activities, moving a larger number of people into productive employment sooner and a much lower incidence of training, formal training, and on-the-job training than we would have anticipated when the program was originally designed.

This program, as you recall, is for experienced workers. And most of them return to work at a more rapid rate through job search, job club kinds of activities, which are much cheaper for a much larger number of people.

Mr. NATCHER. You are proposing a 2 percent increase in the 1987 fiscal year for the Title II-A block grant. Will this be adequate to cover cost increases?

Mr. JONES. In order to keep it at above a million service level, yes, sir.

II-A FORMULA

Mr. NATCHER. I understand that there have been wide variations year to year in Title II-A funding allocations at the local level. If you would, just briefly now describe this problem, and tell us what has brought this about.

Mr. JONES. Yes, sir. There is a slight aberration in the legislation in that the formulas are designed with a hold harmless from year to year at the State level of 90 percent regardless of the fluctuations in unemployment statistics. But at the substate level no such hold harmless exists.

There are two or three factors in the formula which kick in substantial amounts of money to particular areas with unemployment rates above 6.5 percent or above 4.5 percent. If there are changes in local unemployment rates as we experienced last year, shifts of up to some 40 percent funding down or up may occur. And there is no

hold harmless in that formula. That is largely what that issue is about.

Mr. NATCHER. Other than changing the statutory formula, is there any way to remedy this matter?

Mr. JONES. No, sir. That formula is in the legislation. And the problem we have just discussed is in the legislation.

JOB CORPS CONSTRUCTION

Mr. NATCHER. If Congress decides to maintain the Job Corps program as it currently is, how much should be provided for construction and renovation in 1987? What figure could you give us at this time?

Mr. SEMERAD. Mr. Chairman, we will have to supply that to the Committee.

[The information follows:]

JOB CORPS CONSTRUCTION COSTS IN 1987

If all 106 Job Corps centers remained open, approximately $30 million could be effectively used for construction and rehabilitation of facilities in Program Year 1987. This annual outlay would be equal to roughly 3 percent of the estimated $1 billion replacement value of current Job Corps facilities.

Mr. NATCHER. Are you budgeting anything at this time for construction for 1987?

Mr. JONES. Not for '87 yet. But much of our construction work, as you know, Mr. Chairman, even though it is being funded currently out of '85, and next year '86 will not occur until down the road.

Mr. NATCHER. Would it be better to have multi-year availability for construction funds, possibly even a separate appropriation account?

Mr. JONES. That is an issue that has been discussed between the Department and OMB, and with this Committee from time to time and it is probably an issue we will have to address in the future.

Although we do have a multi-year Job Corps capital plan, many of our Job Corps facilities are very, very old and rundown and have been fixed and maintained on a year to year basis rather than a multi-year budgeting plan.

WORK INCENTIVE PROGRAM

Mr. NATCHER. As you know, for the last several years, the Work Incentive program has been eliminated in the budget as it has come up each time. I believe you propose to eliminate it at this time. Why should we eliminate this program which is aimed at getting people off of welfare, which is being successfully administered in a number of States?

Mr. SEMERAD. Mr. Chairman, I think that that is something that we have looked at rather hard, especially in light of a number of stories in the press recently, very positive kinds of things, and questions that the President has taken in his press conferences.

I guess the WIN program in itself has to be regarded as a piece of a puzzle that is trying to move people off welfare and get them into productive employment. Most of the WIN money in reality goes to administrative costs, so it is not a question of that money

being denied to welfare recipients. Most of that money goes again for staff costs, administrative kinds of functions. I mean it is a significant portion.

I think that the examples that we are hearing today of efforts to move people off welfare into employment both in the ET program in Massachusetts and the others in some of the other states, really are a mixture of public and private efforts. It is the mixture of state resources, combined with, in the Massachusetts case, clearly a strong economy and a tight labor force. We think that eliminating the WIN program provides a savings and does not deny service to people who can be served through a variety of other titles, other programs, both state and Federal.

Mr. NATCHER. Do you plan to close down the WIN program before Congress takes final action on the 1987 budget?

Mr. SEMERAD. No, Mr. Chairman.

DISLOCATED WORKERS

Mr. NATCHER. You are requesting $100 million for the displaced worker program in 1987. This would be a reduction, as you know, of about $70 million from the revised 1986 level. Why are you proposing this reduction in '87?

Mr. SEMERAD. Well, there are a couple of factors. We hope that the economy is improving. There is every indication that this is the case, so that the gross problem of dislocation that we have been trying to cover under TAA and Title III will be somewhat diminished as a need. And by getting people into retraining, that is an integral part of the Title III programs, we will be able to move people more quickly back into the labor force, not in essence be withholding services from people in need, but doing a better job.

We are learning more and more about it. And we are able to establish what the dimensions of the problem are, not only nationally but in individual communities.

So we have asked for the one-time surge in 1986 funding. We also are implementing a number of things that hopefully will allow us to do a better job so that folks that do find themselves dislocated will indeed find themselves more quickly identified, retrained, and re-employed.

REEMPLOYMENT DEMONSTRATIONS

Mr. NATCHER. I believe you have a $10 million increase in the Program Administration account for continuation and expansion of re-employment demonstration pilots. What do we have here, Mr. Semerad?

Mr. JONES. That was, as Mr. Semerad pointed out to you earlier on, a further set of demonstrations, as we are now conducting in New Jersey, to try to find ways to return people sooner from unemployment roles into productive work.

Mr. NATCHER. Mr. Conte, I yield to you.

Mr. CONTE. Thank you, Mr. Chairman.

I will have many, many more questions, and I will submit them for the record.

Mr. SEMERAD. Yes, sir.

Mr. CONTE. Because this is the biggest part of the Department's budget right here.

Mr. SEMERAD. Yes, sir.

JTPA CARRYOVER

Mr. CONTE. Last year they justified the budget request with a number of reductions for JTPA, some of which survived the other body. A great deal was made at that time about the amount of carryover which had been built up in the system which would permit operating levels at least as high as in the previous year even with the decreases in budget authority.

Have those projected carryover levels held up? And has there been as much carryover as you projected last year?

Mr. JONES. Yes, sir, to both questions. The carryover level did turn out to be very close to what we had predicted it would be going into this year.

Mr. CONTE. For the record, will you provide a table as to what your carryover projections were for the program for '84, '85, and '86.

Mr. JONES. Yes, sir.

[The information follows:]

1986 REQUEST—CARRYOVER PROJECTIONS

[Dollars in millions]

	Estimated carry-in	Budget authority	Estimated expenditures	Estimated carry-out
Block grant:				
Program year 1984	$522	$1,886	$1,878	$530
Program year 1985	530	1,886	1,926	490
Program year 1986	490	1,886	1,974	402
Summer youth:				
1985 summer (PY 1984)	114	825	775	164
1986 summer (PY 1985)	164	725	775	114
1987 summer (PY 1986)	114	665	707	71
Dislocated workers:				
Program year 1984	127	223	162	189
Program year 1985	189	223	166	245
Program year 1986	245	100	170	176

*Does not reflect proposed rescissions which were not enacted.

Mr. CONTE. Then another table as to your current carryover projection for the program years '85, '86, '87, for each of the three main JTPA programs.

Mr. JONES. Yes, sir.

[The information follows:]

1987 REQUEST—CARRYOVER PROJECTIONS

[Dollars in millions]

	Estimated carry-in	Budget authority	Estimated expenditures	Estimated carry-out
Block grant:				
Program year 1985	$756	$1,886	$1,841	$801
Program year 1986	801	[1]1,782	1,826	757
Program year 1987	757	1,820	1,826	751

1987 REQUEST—CARRYOVER PROJECTIONS—Continued

[Dollars in millions]

	Estimated carry-in	Budget authority	Estimated expenditures	Estimated carry-out
Summer youth:				
1986 summer (PY 1985)	149	725	772	101
1987 summer (PY 1986)*	101	[1] [2] 428	483	46
1988 summer (PY 1987)	46	428	428	46
Dislocated workers:				
Program year 1985	185	223	198	210
Program year 1986*	210	[1] [3] 170	243	136
Program year 1987	136	100	158	79

[1] Includes withholding pursuant to Public Law 99-238, the Compact of Free Association.
[2] Reflects proposed $208 million rescission.
[3] Reflects proposed $74 million supplemental.

Mr. CONTE. Also will you provide for the record a table which shows the budget authority for each of the three main programs since JTPA began through the request for fiscal year '87. And then will you provide a table as to the operational level for each program during the same timeframe.

Mr. SEMERAD. Yes, sir.

[The information follows:]

TRAINING AND EMPLOYMENT SERVICES GRANTS TO STATES PROGRAMS

[Dollars in thousands]

	Transition period	PY 1984	PY1985	PY 1986 [1] presently available	PY 1986 proposed rescission/ supplemental	PY 1986 revised request	PY 1987 request
BUDGET AUTHORITY							
Block grant	$1,414,613	$1,886,151	$1,886,151	$1,781,930	0	$1,781,930	$1,820,000
Dislocated workers	94,250	223,000	222,500	95,655	$74,000	169,655	100,000
Summer youth	824,549	824,549	724,549	635,926	−207,976	427,950	428,000
OPERATIONAL LEVELS—EXPENDITURES							
Block grant	1,012,574	1,655,516	1,841,000	1,826,172	0	1,826,172	1,825,637
Dislocated workers	74,669	164,225	197,780	206,190	37,000	243,190	157,500
Summer youth	713,758	789,884	772,440	670,030	−187,216	482,814	427,972

[1] Reflects funds sequestered under Public Law 99-177, the Balanced Budget and Emergency Deficit Control Act of 1985, and funds withheld pursuant to Public Law 99-239, the Compact of Free Association Act, 1985.

Mr. CONTE. And particularly with respect to the summer youth program. Last year the assertion was made that even with decreases in the budget authority for FY '85, which is the summer of '86, and FY '86, which is the summer of '87, the amount available for expenditures in those two summers because of carryover would not be significantly decreased.

What was the actual operational level of the summer youth program for FY '84, that is the summer of '85, and what do you project it will be for FY '85 and the summer of '86 and for FY '86, the summer of '87, assuming carryover and not assuming a recision?

Mr. JONES. Yes, sir, we will provide that.

Mr. CONTE. Can you give me that answer now?

Mr. JONES. Well, the actual expenditure rate for those summers is very close to our earlier estimates. It runs about $713 million in '84, and a little less than $800 million in '85. And for '86 we estimate $772 million in expenditures including those from the projected carryover figures. So it is very close to maintaining itself in 1986 because of the carryover.

I think the carryover figure in summer has been coming down each year from the first year. In fact, we would project, and the table we will give you will show, in '87 it will be down to 90 percent. It will never get any lower than that.

JTPA PERFORMANCE

Mr. CONTE. What is the average cost of providing training to a person under the JTPA? And how does that compare with the old CETA program?

Mr. JONES. The average cost for this year under the block grant program is estimated at $5,260 a year. But we will get a chart and compare those numbers for you.

[The information follows:]

COMPARISON OF 1984 JTPA UNIT COST WITH CETA UNIT COST

Provided below is a comparison of the Program Year 1984 estimated service year cost for programs operated by service delivery areas (SDAs) with Fiscal Year 1983 CETA prime sponsor program costs restated in Program Year 1984 dollars.

Program year 1984 (7/1/84—6/30/85)

CETA—prime sponsor costs only	$7,846
JTPA—SDA costs only	4,279

Mr. CONTE. Okay, I appreciate that. And how does JTPA compare in success with replacing trained people into unsubsidized jobs compared with CETA?

Mr. JONES. Higher. We are running about 65 percent under JTPA.

PERFORMANCE STANDARDS

Mr. CONTE. Now, the local PICs, the operating units under JTPA, now must meet performance standards. Can you describe what those performance standards are, and indicate what percent of local PICs are meeting those standards.

Mr. JONES. We can provide that for the record. The basic standards are placement rates and cost per service year and wage rates of new jobs that they go into, those kinds of things. They are all published. It is a very formal part of the system. And we can give you actual data compared to these standards.

I will say to you that the system is performing in general above those performance standards across the board.

[The information follows:]

PERFORMANCE STANDARDS

There are seven measures of program performance, four of wl ich pertain to adult accomplishments and three to youth attainments.

The four adult measures include:

Entered Employment Rate (EER)
Cost Per Entered Employment (CEE)
Average Wage at Placement (AWP)

Welfare Entered Employment Rate (WEER)
The three youth measures are:
Entered Employment Rate (YEER)
Positive Termination Rate (PTR)
Cost Per Positive Termination (CPT)

Three of these standards (EER, WEER and YEER) are a measure of job placements, the AWP is the average hourly wage of those placed, the PTR represents the proportion of youth who had a positive outcome (either obtained a job or one of the employability enhancement outcomes, i.e., training, basic education or youth employment competency attainments) and the two cost measures reflect the average unit costs associated with placements (CEE) or youth positive outcomes (CPT).

For each of the above measures, governors are required to set a local standard for each Service Delivery Area (SDA) within the State. Governors can either use the national standards or adjust these national standards to account for local differences in terminee characteristics or economic conditions. While final PY 84 standards for each SDA are not yet available, SDA performance nationwide can be assessed against the national standards. The PY 84 national standards are given in the left column and the proportion of SDAs that exceeded each national standard in PY 84 is given on the right.

PROPORTION OF SDAs EXCEEDING NATIONAL STANDARDS IN PY 84

Measure	National standards	Proportion of SDAs exceeding national standard (percent)
EER	55 percent	87.7
CEE	$5,704	91.1
AWP	$4.91	45.8
WEER	39 percent	91.9
YEER	41 percent	80.0
PTR	82 percent	19.4
CPT	$4,900	89.9

Mr. SEMERAD. And we now have a first full year's data. We can compare it against the first nine months. And it is very clear by category that as the system matures other resources kick in. As Bob points out, I think we are doing much better. And I think we are doing better in more categories. To compare costs between CETA and JTPA is kind of apples and oranges frankly, because the programs are significantly different.

II–A FUNDING

Mr. CONTE. Given that JTPA block grant funds have remained level with a small decrease in '86 because of Gramm-Rudman-Hollings and a small transfer to the Job Corps, and not quite the full recovery in your 1987 budget request, do you think that the block grant is sufficiently funded at the present time?

Mr. SEMERAD. I think it is.

Mr. CONTE. You are hesitant.

Mr. SEMERAD. I am worried about coming back and being proven wrong. My impression is that we are at a sufficient level. And I think the previous question bears that out. If the system is doing increasingly better, if the trend lines are all going in the right direction, we must be doing something right.

By doing something right it is not only the structure that we have made, but also the resources we are putting into it. But again, the key is at the local level. And if we can continue to invest wisely in that area. If the local level continues to do as well as they are, I

would like to think that the trend lines will continue to go in the direction that the Congress and the country wants it to go.

Mr. JONES. I would like to add to that, in conjunction with the point Congressman Hoyer raised. There is no question that the future growth in many of these services will not occur through the budget, but through the linkages that are starting to occur with the pressure applied here and by other local bureaucracies and other systems. And I suspect your yield is going to go way up and will be enhanced by not simply restoring each of these individual budgets and allowing people to stay at the status quo.

JTPA ADMINISTRATIVE COSTS

Mr. CONTE. One of the situations that has come to my attention is that a good number of local PICs operate by awarding performance based services for training, keeping the 15 percent administrative allowance for themselves, and then leaving those who are actually delivering the training to scramble for administrative costs through such a mechanism as the community service block grant.

Have your people looked into that type of a situation? Do you have a handle on it? And what about the 15 percent administrative allowance?

Mr. JONES. Well, the only thing we can say is that probably every version or variety you have ever heard to make those arrangements locally is in existence and is taking place. We think that is good not that linking with community block grant or other programs across the system, is probably one of the most important things going on.

The Committee will always hear, and we will hear, needs for more administrative costs. But I do not know that we have any more evidence to this date to suggest that this is in fact necessary.

Mr. CONTE. Do you look into that 15 percent administrative cost, how it is being spent?

Mr. JONES. Yes, sir. We always are looking at it and watching it. Not only at the 15 percent, which is the local level figure, but the 5 percent at the state level is also a concern that we watch. Both of those figures are relatively conservative, and yet we have not seen to this point significant impacts on the program because of that.

And one concern we always have is in adding Federal burdens at one point or another that take more administrative costs.

Mr. CONTE. I have consumed my ten minutes.

Thank you, Mr. Chairman.

Mr. NATCHER. Mr. Hoyer.

Mr. HOYER. I have other questions, but not at this time.

Mr. NATCHER. We want to thank you and your associates for appearing before the Committee at this time on behalf of your budget request for the fiscal year 1987. I believe you will be back this afternoon for awhile. The Committee will now recess until 2:00 o'clock.

Mr. SEMERAD. Thank you.

[The following questions were submitted for the record:]

JOB PLACEMENT ACTIVITIES

Mr. Natcher: The Department of Labor stated in last year's Senate Appropriations hearings that, other than for the Employment Service (ES), it does not distribute resources specifically for the purpose of financing job placement activities. However, other Labor-funded entities are involved in job placement activities. How many different Labor-funded entities, other than ES, are involved in soliciting job listings from employers and/or referring job seekers to them? 16

Mr. Semerad: Many of the ETA funded training deliverers, financed through the JTPA Grants to States, Native American, Migrant, Pilot and Demonstrations and Older Americans programs are involved to some extent in the soliciting of jobs listings and referral of participants to identified jobs. Many including the Job Corps, use the Employment Service within their communities to perform these activities.

WORK INCENTIVE PROGRAM

Mr. Natcher: Statements have been made indicating that most of the money spent for the WIN Program goes for administrative costs of one kind or another. Do you agree with this? What evidence do you have that would bear this out? 17

Mr. Semerad: Approximately 3 out of 4 of WIN's appropriated 1985 dollars were spent on salaries for State staff providing direct services to registrants and overhead, with less than 23 percent spent on training.

PILOTS AND DEMONSTRATIONS

Mr. Natcher: You're requesting an increase in 1987 of $20 million for job training pilots and demonstrations. Specifically, what kinds of new programs would you fund with the $20 million increase? 19

Mr. Semerad: With the requested $20 million increase in pilots and demonstrations funding, we plan to undertake activities that will promote: new strategies focusing on reemployment of dislocated workers; innovative approaches and initiatives for providing employment and training for youth; expansion of partnership activities with business, labor and community-based organizations; increased joint initiatives with other agencies; and innovative applications of high technology techniques within the JTPA system.

Mr. Natcher: Would you plan to continue funding the ongoing pilot and demonstration programs? 20

Mr. Semerad: Yes, we plan to continue funding ongoing pilot and demonstration programs.

Mr. Natcher: Tell us how many staff you have assigned to monitoring these programs? 21

Mr. Semerad: Eight professional staff members monitor these programs.

Mr. Natcher: Do you plan to increase that number?

Mr. Semerad: At this point, no increase in the staffing level is anticipated.

BLOCK GRANT

Mr. Natcher: To what extent are service delivery areas (SDAs) meeting the 40 percent youth requirement?

Mr. Semerad: During Program Year 1984 the ratio of youth expenditures to total Title II-A program expenditures was 40 percent on average for the nation. In 28 of the 57 jurisdictions administering Job Training Partnership Act programs, the ratio of youth expenditures to total Title II-A program expenditures was 40 percent or better.

Mr. Natcher: What guidance or technical assistance are you providing to the States and SDAs to assist them in meeting the 40 percent youth requirement and to improve youth programs?

Mr. Semerad: The 40 percent youth expenditures requirement applies to funds provided to service delivery areas. It is the State's responsibility to provide direct guidance and technical assistance to SDAs experiencing problems in meeting this requirement.

The Department does respond to inquiries requesting clarification of statutory and regulatory requirements pertaining to the 40 percent requirement. In addition, the Department is prepared to provide appropriate technical assistance to the States in resolving any 40 percent issues or in responding to problems which may be identified while meeting the 40 percent requirement.

TRAINING AND TECHNICAL ASSISTANCE

Mr. Natcher: You're requesting $5,900,000 for training and technical assistance. Can you tell us specifically how these funds are used?

Mr. Semerad: Information exchange activities, including Public Interest Group and DOL sponsored conferences to address concerns raised by the system, will be continued. Also, technical assistance efforts will be directed to youth and dislocated worker issues. Consideration is also being given to undertaking activities such as working with the States to assure that appropriate fiscal and management systems are in place; assisting States and local program operators in identifying effective program models; providing seed funds for technical institutes; providing direct technical assistance and training to States in key areas such as performance standards and performance contracting; and enhancing the capability of the job training system to increase services to youth and provide literacy training for economically disadvantaged youth, particularly school drop-outs.

SENIOR COMMUNITY SERVICE EMPLOYMENT PROGRAM

Mr. Natcher: You're requesting $326 million for the Title V Older Workers program, the same as the 1986 appropriation. Are any changes planned in this program? .26

Mr. Semerad: New regulations are being developed which will incorporate the most recent Older Americans Act Amendments and will make modest administrative and programmatic changes. These adjustments will not alter the basic program.

Mr. Natcher: Have you conducted any recent evaluation of this program? If so, what were the principal findings? .27

Mr. Semerad: The program is being evaluated by Centaur Associates. The final report is scheduled for completion in July 1986.

Mr. Natcher: For the record, supply a list of the national contractors in the program showing the amount of the contract, the number of jobs funded, and the States that each one operates in. .28

Mr. Semerad: The following two charts provide the requested information. The following acronyms are used to distinguish the national sponsors: GT (Green Thumb Inc.), NCOA (the National Council on Aging), NCSC (the National Council of Senior Citizens), AARP (the American Association for Retired Persons), USFS (The United States Forest Service), NCBA (The National Center on Black Aged), ANPM (Association National Pro Persons Mayores), and NUL (The National Urban League).

1985-86 SENIOR COMMUNITY SERVICE EMPLOYMENT PROGRAM POSITIONS BY STATE AND SPONSOR

STATE	85-86 GRAND TOTALS	85-86 STATE TOTALS	85-86 NAT. TOTALS	GT	NCOA	NCSC	AARP	USFS	NCBA	ANRPM	NUL
ALABAMA	1169	237	932	139	68	462	0	87	176	0	0
ALASKA	274	274	0	0	0	0	0	0	0	0	0
ARIZONA	700	142	558	30	338	0	0	119	0	71	0
ARKANSAS	1141	231	910	569	0	0	176	94	71	0	0
CALIFORNIA	5062	1027	4035	453	903	1057	661	527	0	434	0
COLORADO	532	118	464	108	0	180	71	105	0	0	0
CONNECTICUT	713	145	568	64	0	434	0	0	0	0	70
DELAWARE	274	274	0	0	0	0	0	0	0	0	0
DIST OF COLUMBIA	359	73	286	0	0	110	1	8	155	12	0
FLORIDA	3471	704	2767	690	176	436	933	135	99	293	0
GEORGIA	1357	275	1082	249	100	0	384	106	134	0	109
HAWAII	274	274	0	0	0	0	0	0	0	0	0
IDAHO	297	60	237	51	0	0	63	123	0	0	0
ILLINOIS	2587	525	2062	793	0	502	225	72	219	182	69
INDIANA	1668	338	1330	660	0	359	220	30	0	0	61
IOWA	840	170	670	347	0	121	202	0	0	0	0
KANSAS	641	130	511	402	0	0	0	0	0	109	0
KENTUCKY	1199	243	956	484	195	0	168	109	0	0	0
LOUISIANA	1047	212	835	223	104	155	146	95	0	112	0
MAINE	394	80	314	40	195	0	70	9	0	0	0
MARYLAND	864	175	689	190	0	499	0	0	0	0	0
MASSACHUSETTS	1489	302	1187	207	0	766	125	0	0	0	89
MICHIGAN	2114	429	1685	623	0	474	229	117	0	91	151
MINNESOTA	1489	302	1187	716	0	191	0	139	0	0	141
MISSISSIPPI	794	161	633	142	0	183	0	161	147	0	0
MISSOURI	1579	320	1259	645	115	127	243	129	0	0	0
MONTANA	398	79	309	202	0	0	50	57	0	0	0
NEBRASKA	492	100	392	288	0	0	94	10	0	0	0
NEVADA	297	60	237	55	0	0	142	40	0	0	0
NEW HAMPSHIRE	285	58	227	89	0	0	102	36	0	0	0
NEW JERSEY	1868	379	1489	692	361	255	0	0	0	0	181
NEW MEXICO	316	64	252	0	0	0	88	164	0	0	0
NEW YORK	4521	917	3604	1046	865	846	507	0	0	0	340
NORTH CAROLINA	1609	326	1283	228	128	323	0	323	221	0	60
NORTH DAKOTA	373	76	297	245	0	0	52	0	0	0	0
OHIO	2804	569	2235	545	177	479	511	29	288	0	206
OKLAHOMA	976	198	778	501	0	0	125	30	0	122	0
OREGON	892	181	711	316	107	0	118	170	0	0	0
PENNSYLVANIA	3578	726	2852	974	497	528	312	77	169	97	198
RHODE ISLAND	332	67	265	0	0	107	158	0	0	0	0
SOUTH CAROLINA	813	165	648	218	50	130	152	98	0	0	0
SOUTH DAKOTA	429	87	342	278	0	0	44	20	0	0	0
TENNESSEE	1303	264	1039	322	298	280	0	139	0	0	0
TEXAS	3257	661	2596	1005	382	297	567	81	0	157	107
UTAH	390	79	311	165	0	0	0	145	0	0	0
VERMONT	342	69	273	34	211	0	0	28	0	0	0
VIRGINIA	1316	267	1049	460	148	0	186	121	0	0	134
WASHINGTON	892	181	711	125	0	129	293	164	0	0	0
WEST VIRGINIA	719	146	573	79	275	139	0	79	0	0	0
WISCONSIN	1604	325	1279	631	0	391	0	139	0	0	118
WYOMING	297	60	237	123	0	0	50	64	0	0	0
AMERICAN SOMOA	138	138	0	0	0	0	0	0	0	0	0
GUAM	138	138	0	0	0	0	0	0	0	0	0
PUERTO RICO	761	154	607	236	0	0	282	89	0	0	0
TRUST TERRITORIE	91	91	0	0	0	0	0	0	0	0	0
NORTHERN MARIANAS	47	47	0	0	0	0	0	0	0	0	0
VIRGIN ISLANDS	138	138	0	0	0	0	0	0	0	0	0
TOTALS	63784	14031	49753	16683	5694	9960	7755	4268	1679	1680	2054

1985-86 SENIOR COMMUNITY SERVICE EMPLOYMENT PROGRAM FUNDING BY STATE AND SPONSOR

STATE	TOTAL NATIONAL SPONSORS	TOTAL STATE SPONSORS	TOTAL 84-85 FUNDING	GT	NCOA	NCSC	AARP	USFS	NCBA	ANNPM	NUL
ALABAMA	4765053	(1212495)	5977548	710668	347665	2362076	0	444806	899838	0	0
ALASKA	0	1401359	1401359	0	0	0	0	0	0	0	0
ARIZONA	2850859	(725416)	3576272	153272	1726863	0	0	667978	0	362743	0
ARKANSAS	4649797	1183167	5832964	290701	0	0	899301	480309	362786	0	0
CALIFORNIA	20622409	5247489	25869898	2215230	4615126	5402202	5378293	2693435	0	2218123	0
COLORADO	2371753	603506	2975259	552046	0	920077	362919	536711	0	0	0
CONN	2903609	738840	3642449	327168	0	2218602	0	0	0	0	357839
DELAWARE	0	1401359	1401359	0	0	0	0	0	0	0	0
DIST OF COL	1459345	371338	1830683	0	0	561286	5111	40821	790903	61224	0
FLORIDA	14140282	(3598074)	17738356	3525127	899419	2225104	4767938	689895	505923	1522876	0
GEORGIA	5528947	1406872	6935819	1272374	510994	0	1962215	541655	684731	0	556980
HAWAII	0	1401359	1401359	0	0	0	0	0	0	0	0
IDAHO	1210814	308098	1518912	260555	0	0	321862	628397	0	0	0
ILLINOIS	10541213	2682271	13223484	4053516	0	2556290	1150230	366074	1119557	304068	352738
INDIANA	6795367	1729170	8524737	3372257	0	1834292	1124077	153284	0	0	311677
IOWA	3424222	871313	4295535	1773441	0	618405	1032376	0	0	0	0
KANSAS	2613304	(664970)	3278274	2055868	0	0	0	0	0	557436	0
KENTUCKY	4886844	1243485	6130329	2474095	996794	0	858776	557161	0	0	0
LOUISIANA	4256134	1085542	5351676	1139339	531351	791918	749935	485369	0	572222	0
MAINE	1605742	408590	2014332	204554	997197	0	357966	46025	0	0	0
MARYLAND	3519707	895609	4415316	970602	0	2549105	0	0	0	0	0
MASS	6065004	1543274	7608278	1057672	0	3913895	636691	0	0	0	454746
MICHIGAN	8611507	2191247	10802754	3183958	0	2422466	1170348	597948	0	465073	771714
MINNESOTA	6064940	1543258	7608198	3658380	0	975909	0	710217	0	0	720434
MISS	3237116	823703	4060819	726178	0	935849	0	823541	751748	0	0
MISSOURI	6436648	1637842	8074490	3297568	587939	649289	1242340	659512	0	0	0
MONTANA	1577459	(401403)	1978902	1031246	0	0	255257	290996	0	0	0
NEBRASKA	2001462	509283	2510745	1470462	0	0	479943	510571	0	0	0
NEVADA	1210814	308098	1518912	280991	0	0	725466	204357	0	0	0
NHAMPSHIRE	1161922	295658	1457580	455556	0	0	522396	184270	0	0	0
NEW JERSEY	7608221	(1935955)	9544176	3535856	1844573	1302953	0	0	0	0	924839
NEW MEXICO	1285950	327217	1613167	0	0	0	449062	836888	0	0	0
NEW YORK	18421316	4687408	23108724	5346476	4421321	4324205	2591454	0	0	0	1737860
N CAROLINA	6556844	1668426	8225270	1165208	654152	1650710	0	1650708	1129453	0	306633
N DAKOTA	1520459	(386889)	1907348	1254251	0	0	266208	0	0	0	0
OHIO	11424020	2905907	14330927	2785723	904722	2448370	2611935	1482291	1472089	0	1052952
OKLAHOMA	3976699	1011894	4988593	2560831	0	0	638930	153343	0	623595	0
OREGON	3635398	925048	4560446	1615733	547100	0	603343	869222	0	0	0
PENN	14577258	3709266	18286524	4978349	2540287	2658733	1594707	3935661	863600	495790	1012026
R ISLAND	1353413	344384	1697797	0	0	546473	806940	0	0	0	0
S CAROLINA	3313347	843100	4156447	1114676	255660	664715	777203	501093	0	0	0
S DAKOTA	1748618	(444946)	2193564	1421392	0	0	224969	102257	0	0	0
TENNESSEE	5308659	1350818	6659477	1645225	1522600	1430630	0	710204	0	0	0
TEXAS	13269544	3376511	16646055	3137093	1952607	1518126	2898238	4110351	0	802511	546934
UTAH	1590661	404753	1995414	849035	0	0	0	741626	0	0	0
VERMONT	1394156	354751	1748907	1736321	107755	0	0	142989	0	0	0
VIRGINIA	5359796	1363830	6723626	2350540	756197	0	950355	818241	0	0	684663
WASHINGTON	3635090	924969	4560059	639081	0	659532	1498003	838474	0	0	0
W VIRGINIA	2929391	745400	3674791	403878	141101	710631	0	403876	0	0	0
WISCONSIN	6537125	1663403	8200533	3225118	0	1998449	0	710446	0	0	603110
WYOMING	1210814	308098	1518912	623583	0	0	255446	325970	0	0	0
AM SOMOA	0	703235	703235	0	0	0	0	0	0	0	0
GUAM	0	703235	703235	0	0	0	0	0	0	0	0
PUERTO RICO	3100711	788994	3889705	1205569	0	0	1440533	656634	0	0	0
TRUST TERR	0	464000	464000	0	0	0	0	0	0	0	0
NO MARIANAS	0	239235	239235	0	0	0	0	0	0	0	0
VIRGIN IS	0	703235	703235	0	0	0	0	0	0	0	0
TOTALS	254280000	71720000	326000000	82269740	27701178	50011382	39609491	21412457	8556803	8612001	10539147

PROGRAM ADMINISTRATION

Mr. Natcher: On page 14 of the program administration justification you make the following statement: "enhanced coordination and linkages among ETA programs and with other Federal agency, State and local government, and private sector efforts are being sought." What do you have in mind here?

Mr. Semerad: A major Department of Labor initiative is to promote linkages among ETA programs and with other organizations. With regard to Employment and Training Administration programs, we plan to take steps to promote Job Corps/JTPA linkages at the local level for referrals of enrollees, placement, work experience and provision of training. For example, a Job Corps center is providing training to displaced workers in advanced automotive repair skills; a JTPA Private Industry Council is providing outreach and screening for Job Corps centers. We are also establishing Job Corps/SCSEP linkages. Where feasible SCSEP participants will be placed in part-time jobs at Job Corps centers. Coordination between SCSEP and the Governors' programs for older workers under Section 124 of the JTPA is being strengthened. The Bureau of Apprenticeship and Training staff are participating at State and local levels with State Job Training Coordinating Councils, Private Industry Councils, school boards, and other agencies to promote school-to-apprenticeship and apprentice training programs.

Additional linkages with other organizations include plans to develop innovative approaches and implement pilot/demonstration projects for fostering linkages between Job Corps, other Federal agencies, State and local government, and the private sector. Job Corps is working with the Department of the Army in a project designed to identify ways to provide expansion capability to the Army training bases in the event of mobilization -- in this case, through use of selected Job Corps center facilities for provision of training. Under this pilot project, the Army plans to provide specific skills training to reservists at several Job Corps centers this summer. The Clements Job Corps center has been designated to provide training in construction occupations and the Gary Job Corps center in health occupations.

An interagency letter of understanding is encouraging training of Job Training Partnership Act participants for occupations in the Head Start program. Coordination with the Department of Justice's Juvenile Delinquency and Prevention Administration is encouraging access to Job Training Partnership Act youth employment programs for troubled youth. The Bureau of Apprenticeship and Training is establishing State Steering Committees with representation from the public and private sector to advise on the expansion of apprenticeship programs. In addition, the Bureau of Apprenticeship and Training staff are participating in and sponsoring seminars and conferences and working with State and local organizations to promote apprentice training for Indians on reservations, prison inmates, civilian/military personnel, as well as women, minorities and

disadvantaged persons. The Bureau of Apprenticeship and Training continues to expand coordination and cooperation with State Apprenticeship Councils and promote and encourage participation of labor and management in developing apprenticeship standards and working agreements.

Mr. Natcher: Specifically, what steps are you taking, if any, to coordinate your programs with Department of Education programs, such as vocational education?

Mr. Semerad: We have already issued instructions to States and SDA's concerning the statutory requirement under the vocational education amendments to coordinate the vocational education and JTPA programs. Interagency agreements have been developed providing for the use of community-based organizations to facilitate this coordination. In addition, an interagency agreement was signed on October 17, 1985, among the Department of Labor, Bureau of Apprenticeship and Training and the Department of Education, Office of Vocational and Adult Education to promote expansion and improvement of apprenticeship programs and the role of vocational education in related instructional activities. Emphases will be placed on school-to-apprenticeship programs, pre-apprenticeship arrangements, and improved related instruction training programs. Bureau of Apprenticeship and Training staff will be serving as members of State coordinating committees for the implementation of the Perkin's Act in accordance with the joint agreement and implementation plan.

We will continue to consult with Office of Vocational and Adult Education to develop further initiatives to provide for closer linkages between the vocational education and JTPA programs.

JTPA BLOCK GRANT

Mr. Conte: To what extent are the needs of women being met under the block grant, particularly when it comes to single mothers and working mothers? Is the administrative allowance being used sufficiently on programs like day care to permit adequate opportunities for women to obtain training? 1

Mr. Semerad: Data for Program Year 1984 indicate that 52 percent of the participants enrolled were women and 61 percent of the total female terminees entered employment.

States have expended less than that allowed under the cost limitations for participant support in both the Transition Year and Program Year 1984. So, additional room for service in this area exists.

JTPA BLOCK GRANT SET-ASIDE FUNDS

Mr. Conte: Of the amount of the block grant that goes to States, 22 percent gets put into State set-asides: 6 percent for States to provide incentive grants and technical assistance; 8 percent for State education coordinating programs; 3 percent for older worker programs, and 5 percent for State administrative costs. What information do you collect as to whether the States are using this money as required, and on what they actually do with the money? 2

Mr. Semerad: Data is collected on accrued State expenditures for the 22 percent set-aside in total. For PY 1984, the total availability of the 22 percent set-aside was $532,604,633; accrued expenditures were $257,581,721. In addition to this information, onsite monitoring is undertaken each year in every State to determine compliance with the Job Training Partnership Act and regulations, including activities conducted under the 22 percent set-aside. However, primary responsibility for administering these activities is vested with the States. States also describe their plans for uses of set-aside funds in their Governor's Coordination and Special Services Plans, which are reviewed by the Department.

Mr. Conte: As an example of what information you have, please provide a complete description of what Massachusetts did with its plans for the following program years. 3

Mr. Semerad: Information on the 22 percent set-aside, under the heading "Other State Programs" is available to the Department through the Governor's Coordination and Special Services Plan (GCSSP) and from Compliance Reviews which are conducted annually.

In Program Year (PY) 1984, Massachusetts used its set-aside funds as follows:

3 Percent ($1,085,474)

- Funded 10 demonstration projects through a Request for Proposals (RFP) to serve older workers.

6 Percent ($2,170,948)

- Utilized $1,500,000 as incentive awards for SDAs exceeding performance standards.
- Funded the Partnership Center to provide technical assistance to SDA's.
- Funded a Statewide system to follow-up on program terminees.

8 Percent ($2,894,598)

- About $2,000,000 was awarded to SDAs through an RFP. Approximately 1,000 individuals were served.
- $100,000 was utilized to establish a pilot educational component to the Summer Program.
- $250,000 was utilized in conjunction with the Department of Education in a model program with the Ford Foundation to serve "at risk" youth.
- About $500,000 was used for collaborative programs between the Department of Education and Employment and Training and Economic Affairs including provision of technical assistance.

5 Percent ($1,809,123)

- Used to fund the Office of Training and Employment Policy.

In PY 1985, the basic activities outlined above continue. Some changes include: changes in the incentive arrangement under 6 percent funds and a one-time allocation to SDAs under the 8 percent funds. Plans for PY 1986 will be part of the new GCSSP for PY 1986-1987.

DISLOCATED WORKERS

Mr. Conte: We have already had some discussions on Title III, Dislocated Workers. Your proposal for FY 1987 is to eliminate all funds going out to States under the allocation formula, and rather keep $100 million in the program, all under the Secretary's discretion. Let me tell you what my reservation is on that proposal. I live in an area that is still having significant closings. Not all of them are big huge factories. A number of them are smaller, with workers numbering in the hundreds. It seems to me that in those situations, the States are likely to be in a position to respond faster with assistance under their allocations. If you require every mass layoff or plant closing situation to apply to the Department for assistance, it seems to me you could have significant slowing in the ability of the program to respond to these situations. What is your reaction to that criticism? 4

Mr. Semerad: The Department intends to fund State project proposals which respond to the greatest need. We believe that the States are in a good position to initially determine such need. The Department fully intends to respond quickly to State proposals to conduct dislocated worker programs. We do not anticipate that the proposed directionary programs will lag significantly behind those which the States would administer under their current formula-allotted programs.

Mr. Conte: I recently found out that States can use their unemployment compensation payments as their required match under the Title III program. It seems to me that gives the States a real freebie in coming up with matching funds. Is this really permissible in terms of State matching funds, and should it be? 5

Mr. Semerad: Section 304(b)(2) of the Job Training Partnership Act states that funds expended from a State fund to provide unemployment insurance benefits to Title III eligible individuals and who are enrolled in a program of training or retraining under Title III may be credited for up to 50 percent of the funds required to be expended from non-Federal sources as required by this section.

Mr. Conte: For the record, would you provide a list of all discretionary awards made by the Secretary for Program Year 1984, and up to now in Program Year 1985? 6

Mr. Semerad: The following is a list of all discretionary awards made by the Secretary for the years requested.

Program Year 1984 Title III National Reserve Projects

State	Funded Amount
Alaska (Pribilof Islands)	$ 500,457*
Arkansas (Osceola, Morrilton)	955,040
California (Educational Designs)	1,000,000
District of Columbia	168,472
Guam	186,720**
Idaho (Panhandle area)	377,446
Illinois	2,735,000
(Chicago - Steel)	(1,000,000)
(Enterprise Zones)	(650,000)
(Lake County College)	(525,000)
(Iowa - Rock Island)	(560,000)
Indiana	2,000,000
(La Porte)	(1,000,000)
(Illinois - Inland Steel)	(1,000,000)
Kansas	1,215,383
(Beech Aircraft)	(590,605)
(Pratt Community College)	(624,778)
Kentucky (Louisville)	605,429
Maine (Bangor)	975,000
Massachusetts (North Berkshire)	1,000,000
Michigan (AFL-CIO)	1,000,000

* Funded with Program Year 1984 monies; 1983 proposal.

** Program Year 1984 monies; 1983 proposal; total funding $380,000.

State	Funded Amount
Minnesota	$ 1,972,912
(Statewide)	(953,312)
(Dislocated Farmers)	(1,019,600)
Montana (Butte - Silver Bow)	127,203
New Hampshire (Statewide)	511,138
New Mexico (Uranium Industry)	500,000*
New York	4,560,657
(Western New York)	(4,274,307)
(Ulster County)	(286,350)
North Carolina (Statewide)	987,282
Ohio	2,975,000
(Canton, Akron, Cleveland, Marion and surrounding areas)	(2,000,000)
(Eastern Ohio)	(975,000)
Oregon	1,943,945
(Eastern Counties)	(500,000)
(Oregon Consortium)	(1,443,945)
Pennsylvania	1,935,600
(Allegheny County)	(1,000,000)
(Tornado damage)	(935,600)
Rhode Island (Ciba-Geigy)	642,600
South Carolina	1,383,920
(Charleston)	(429,470)
(Statewide)	(954,450)

*Funded with Program Year 1984 monies; 1983 proposal.

State	Funded Amount
Utah	$ 4,441,331
(Wasatch, Mountainland)	1,375,000)
(Kennecott Copper)	(2,566,311)
(Wilberg Mine Disaster)	(500,000)
Virginia (South Central)	359,551
Washington (Tacoma)	591,355
West Virginia (Kanawha County)	19,159
Total Regular Proposals Funded	$35,710,600
Copper Initiative	5,000,000
Steel Initiative	9,460,000
Trade Act Activities	5,579,400
Total Program Year Funding	$55,750,000

Program Year 1984 Title III Discretionary
Projects for Dislocated Copper and Steel Workers

STATE	COPPER	STEEL	TOTAL
Alabama	-0-	$ 700,000	$ 700,000
Arizona	$600,000	-0-	600,000
Colorado	200,000	400,000	600,000
Illinois	-0-	700,000	700,000
Indiana	-0-	700,000	700,000
Kentucky	-0-	400,000	400,000
Maryland	200,000	540,000	740,000
Michigan	500,000	540,000	1,040,000
Minnesota	-0-	540,000	540,000
Montana	500,000	-0-	500,000
Nevada	400,000	-0-	400,000
New Jersey	400,000	300,000	700,000
New Mexico	600,000	-0-	600,000
New York	-0-	700,000	700,000
Ohio	-0-	700,000	700,000
Oregon	-0-	400,000	400,000
Pennsylvania	-0-	700,000	700,000
South Carolina	-0-	400,000	400,000
Texas	200,000	540,000	740,000
Tennessee	400,000	-0-	400,000
Utah	600,000	400,000	1,000,000
Washington	400,000	400,000	800,000
West Virginia	-0-	400,000	400,000
TOTAL	$5,000,000	$9,460,000	$14,460,000

APPROVED PY 1985 TITLE III
NATIONAL RESERVE PROJECTS TO DATE

ALABAMA	$1,807,500
(Scottsboro)	(500,000)
(Walker County)	(1,307,500)
CALIFORNIA (Los Angeles-UAW-LETC)	1,487,590
GEORGIA (Albany-Firestone)	1,000,000
ILLINOIS	1,703,050
(Harvey)	(262,500)
(Joliet)	(515,550)
(Peoria)	(925,000)
INDIANA/MICHIGAN (South Bend-Allied Bendix)	1,200,000
IOWA (SDAs #3, #5, #12 and #14)	500,000
KENTUCKY (Coal mining counties)	800,000
MAINE (Footwear)	1,000,000
MASSACHUSETTS	1,934,000
(Quincy-General Dynamics)	(1,500,000)
(Footwear)	(434,000)
MICHIGAN	2,878,709
(Jackson Community College)	(116,415)
(Midland/Saginaw/Bay)	(437,294)
(Jackson, Lenawee, Hillsdale)	(500,000)
(Cadillac and Manistee)	(175,000)
(Wayne County PIC)	(1,500,000)
(Detroit)	(150,000)
MINNESOTA (International Falls)	372,125
MISSISSIPPI (Hurricane-affected counties)	1,000,000

APPROVED PY 1985 TITLE III
NATIONAL RESERVE PROJECTS TO DATE

MISSOURI (Footwear)	$300,000
NEBRASKA (88 counties)	1,000,000
NEW HAMPSHIRE (Footwear)	238,665
NEW JERSEY (Middlesex)	230,000
NEW YORK	2,960,349
(Central NY PIC)	(1,638,929)
(Footwear)	(724,000)
(Mohawk Valley)	(597,420)
NORTH DAKOTA (farmers)	340,000
OHIO	1,871,671
(Scioto County CAO)	(500,000)
(Youngstown)	(771,671)
(Batavia-Sharonville with Indiana and Kentucky)	(600,000)
OKLAHOMA (Miami area-B.F. Goodrich)	2,000,000
OREGON (S. Willamette PIC)	275,000*
PENNSYLVANIA (Footwear)	250,000
PUERTO RICO (Footwear)	147,604
SOUTH DAKOTA (Farmers)	750,000
WISCONSIN	2,124,589
(Ft. Atkinson)	(121,800)
(Kenosha/Racine)	(150,000)
(Kenosha-AMC)	(1,286,467)
(Northwest CEP)	(327,845)
(Southwest Farmers)	(96,425)
(Watertown)	(142,052)
WEST VIRGINIA (Flood disaster)	2,000,000
TOTAL	$30,170,852

*Total project $675,000; $400,000 in previous year's funds.

SUMMER YOUTH EMPLOYMENT

Mr. Conte: In the '86 appropriation bill, language was agreed to, allowing the Secretary to retain up to 15 percent of the appropriation, in combination with reclaiming carryover in excess of 10 percent from States, to try to hold harmless as much as possible all service delivery areas. That authority applies to both '85 money and '86 money. With the summer of '86 approaching, can you please describe how this provision is going to affect the States, and provide as detailed a table as you can on how this language will operate to change allocations around?

Mr. Semerad: For the 1986 Summer Youth program, the Department reserved, in accordance with the referenced language, about $108 million. These funds have now been distributed and all SDAs will receive for the 1986 Summer Youth program at least 92.3 percent of the amount they received for the 1985 summer youth program. Following is a table showing the service delivery area 1985 Summer funding levels, the initial 1986 summer allocation which includes $57 million of reallocated excess carryout and $1.2 million distributed to the four Rural Concentrated Employment Program, the distribution of the $108 million reserve, and the final 1986 summer allocations.

U.S. DEPARTMENT OF LABOR—EMPLOYMENT AND TRAINING ADMINISTRATION PAGE 1
OFFICE OF FINANCIAL CONTROL AND MANAGEMENT SYSTEMS
PY 1985 JTPA TITLE II-A ALLOCATIONS
03-14-1986

	SUMMER 85	SUMMER 86	$108.7M	TOTAL SUMMER 86
BIRMINGHAM CITY/JEFFERSON COUNTY	3,291,667	2,244,985	793,332	3,038,317
MOBILE CITY/MOBILE COUNTY	1,850,829	1,635,550	72,826	1,708,376
ALABAMA TRAINING CONSORTIUM	12,650,122	12,253,602	0	12,253,602
Alabama	17,792,618	16,134,137	866,158	17,000,295
BALANCE OF ALASKA CONSORTIUM	839,861	707,217	68,002	775,219
ANCHORAGE/MATANUSKA-SUSITNA CONSORTIUM	724,961	809,974	0	809,974
FAIRBANKS NORTH STAR BOROUGH	267,082	269,912	0	269,912
Alaska	1,831,904	1,787,103	68,002	1,855,105
PHOENIX CITY	2,182,857	1,396,012	618,837	2,014,849
BALANCE OF MARICOPA COUNTY	1,488,001	963,187	410,287	1,373,474
BALANCE OF PIMA COUNTY	1,506,128	945,977	444,229	1,390,206
YAVAPAI COUNTY	234,258	203,369	12,859	216,228
MOHAVE COUNTY	238,814	217,033	3,400	220,433
APACHE COUNTY	40,455	43,408	0	43,408
NAVAJO COUNTY	145,571	148,212	0	148,212
LA PAZ COUNTY	38,781	40,211	0	40,211
COCONINO COUNTY	195,099	208,595	0	208,595
BALANCE OF YUMA COUNTY	507,379	563,862	0	563,862
SANTA CRUZ COUNTY	171,976	150,030	8,709	158,739
GILA/PINAL CONSORTIUM	595,828	468,009	81,960	549,969
GREENLEE COUNTY	26,380	31,620	0	31,620
COCHISE COUNTY	401,793	243,751	127,117	370,868
BALANCE OF GRAHAM COUNTY	120,641	71,827	39,529	111,356
ARIZONA INDIAN CONSORTIUM	912,529	876,343	0	876,343
Arizona	8,806,490	6,591,446	1,746,927	8,338,373
NORTHWEST ARKANSAS CONSORTIUM	765,267	680,244	26,123	706,367
NORTH CENTRAL ARKANSAS CONSORTIUM	902,897	812,556	20,848	833,404
NORTHEAST ARKANSAS CONSORTIUM	1,011,016	1,018,022	0	1,018,022
EASTERN ARKANSAS CONSORTIUM	956,647	725,105	157,912	883,017
SOUTHEAST ARKANSAS CONSORTIUM	987,239	921,492	0	921,492
SOUTHWEST ARKANSAS CONSORTIUM	820,305	728,660	28,508	757,168
WESTERN ARKANSAS CONSORTIUM	743,959	590,070	96,629	686,699
WEST CENTRAL ARKANSAS CONSORTIUM	869,586	900,613	0	900,613
LITTLE ROCK CITY	478,101	339,744	101,559	441,303
CENTRAL ARKANSAS CONSORTIUM	1,000,965	848,490	75,434	923,924
Arkansas	8,535,982	7,564,996	507,013	8,072,009
BALANCE OF ALAMEDA COUNTY	2,379,776	1,532,153	664,458	2,196,611
OAKLAND CITY	2,298,032	1,418,416	702,743	2,121,159
MOTHER LODE CONSORTIUM	369,014	346,733	0	346,733
GOLDEN SIERRA CONSORTIUM	900,704	800,770	30,609	831,379
BUTTE COUNTY	649,937	637,645	0	637,645
NORTH CENTRAL COUNTIES CONSORTIUM	1,051,883	1,056,073	0	1,056,073
BALANCE OF CONTRA COSTA COUNTY	1,295,737	1,109,441	86,567	1,196,008
RICHMOND CITY	335,193	312,993	0	312,993
FRESNO CITY/COUNTY CONSORTIUM	3,222,292	2,996,033	0	2,996,033
HUMBOLDT COUTNY	519,616	460,085	19,538	479,623
IMPERIAL COUNTY	1,236,010	1,378,382	0	1,378,382
INYO/KERN/MONO CONSORTIUM	2,084,150	2,135,717	0	2,135,717
KINGS COUNTY	355,002	353,852	0	353,852
NORTEC CONSORTIUM	802,453	816,973	0	816,973
BALANCE OF LOS ANGELES COUNTY	8,453,161	7,774,074	7,241	7,781,315
PASADENA CONSORTIUM	717,898	500,787	161,856	662,643
VERDUGO CONSORTIUM	500,790	364,631	97,615	462,246

U.S. DEPARTMENT OF LABOR—EMPLOYMENT AND TRAINING ADMINISTRATION
OFFICE OF FINANCIAL CONTROL AND MANAGEMENT SYSTEMS
PY 1985 JTPA TITLE II-B ALLOCATIONS
03-14-1986

	SUMMER 85	SUMMER 86	$108.7M	TOTAL SUMMER 86
CARSON/LOMITA/TORRANCE CONSORTIUM	529,297	341,951	146,608	488,559
LONG BEACH CITY	1,167,163	1,053,231	24,099	1,077,330
LOS ANGELES CITY	11,604,323	10,834,762	0	10,834,762
MADERA COUNTY	323,867	334,414	0	334,414
MARIN COUNTY	525,091	191,470	293,206	484,676
MENDOCINO COUNTY	306,225	304,446	0	304,446
MERCED COUNTY	743,631	791,171	0	791,171
MONTEREY COUNTY	1,178,662	1,202,959	0	1,202,959
NAPA COUNTY	250,900	227,512	4,077	231,589
ORANGE COUNTY	3,804,869	2,182,299	1,329,720	3,512,019
RIVERSIDE COUNTY	2,279,975	2,154,811	0	2,154,811
SACRAMENTO CITY/COUNTY CONSORTIUM	2,476,955	2,321,361	0	2,321,361
SAN BENITO COUNTY	173,887	187,059	0	187,059
BALANCE OF SAN BERNARDINO COUNTY	2,486,491	1,991,462	403,651	2,295,113
SAN BERNARDINO CITY	436,453	405,330	0	405,330
SAN DIEGO COUNTY	4,900,492	3,786,307	737,108	4,523,315
SAN FRANCISCO CITY/COUNTY	3,066,738	1,874,476	955,724	2,830,200
SAN JOAQUIN COUNTY	1,884,322	1,901,538	0	1,901,538
SAN LUIS OBISPO COUNTY	377,242	323,636	24,571	348,207
SAN MATEO COUNTY	1,272,274	570,840	603,511	1,174,351
SANTA BARBARA COUNTY	837,040	656,424	116,191	772,615
BALANCE OF SANTA CLARA COUNTY	2,679,807	2,113,976	359,574	2,473,550
NORTH SANTA CLARA VALLEY CONSORTIUM	798,641	231,493	505,679	737,172
SANTA CRUZ COUNTY	683,362	695,304	0	695,304
SHASTA COUNTY	582,706	599,285	0	599,285
SOLANO COUNTY	702,117	648,578	0	648,578
SONOMA COUNTY	904,242	716,411	118,234	834,645
STANISLAUS COUNTY	1,728,841	1,771,368	0	1,771,368
TULARE COUNTY	1,271,021	1,436,693	0	1,436,693
VENTURA COUNTY	1,565,046	1,500,962	0	1,500,962
YOLO COUNTY	487,987	484,132	0	484,132
SOUTH BAY CONSORTIUM	891,321	785,152	37,567	822,719
SOUTHEAST LOS ANGELES CONSORTIUM	881,439	759,911	53,686	813,597
California	80,951,075	69,276,382	7,483,833	76,760,215
ADAMS COUNTY	618,670	589,327	0	589,327
ARAPAHOE/DOUGLAS CONSORTIUM	313,257	226,268	62,878	289,146
BOULDER COUNTY	406,752	229,735	145,710	375,445
DENVER CITY/COUNTY	1,573,675	1,040,302	412,252	1,452,554
COLORADO SPRINGS CITY/EL PASO COUNTY	673,156	581,283	40,062	621,345
JEFFERSON COUNTY CONSORTIUM	612,109	395,981	169,016	564,997
LARIMER COUNTY	319,712	233,118	61,987	295,105
PUEBLO/UPPER ARKANSAS VALLEY CONSORTIUM	809,723	841,963	0	841,963
RURAL COLORADO CONSORTIUM	1,763,413	1,861,093	0	1,861,093
WELD COUNTY	293,865	268,758	2,489	271,247
Colorado	7,414,332	6,267,828	894,394	7,162,222
BRIDGEPORT/ANSONIA/NORWALK/STAMFORD CONS	2,329,545	1,447,683	702,563	2,150,246
BRISTOL/NEW BRITAIN	773,442	514,430	199,482	713,912
DANBURY/TORRINGTON CONSORTIUM	668,821	388,867	228,477	617,344
DANIELSON/WINDHAM CONSORTIUM	380,231	464,406	0	464,406
HARTFORD CONSORTIUM	1,952,865	1,139,460	663,098	1,802,558
MERIDEN/MIDDLETOWN CONSORTIUM	496,737	359,762	98,743	458,505
NEW HAVEN CONSORTIUM	1,654,260	871,275	655,661	1,526,936
NORWICH/NEW LONDON CONSORTIUM	545,657	411,533	92,126	503,659
WATERBURY CONSORTIUM	763,919	644,818	60,304	705,122
Connecticut	9,565,477	6,242,234	2,700,454	8,942,688

U.S. DEPARTMENT OF LABOR—EMPLOYMENT AND TRAINING ADMINISTRATION
OFFICE OF FINANCIAL CONTROL AND MANAGEMENT SYSTEMS
PY 1985 JTPA TITLE II-B ALLOCATIONS
03-14-1986

	SUMMER 85	SUMMER 86	$108.7M	TOTAL SUMMER 86
DELAWARE CONSORTIUM	1,826,953	1,646,188	40,150	1,686,338
Delaware	1,826,953	1,646,188	40,150	1,686,338
DISTRICT OF COLUMBIA	8,027,778	5,066,748	2,343,155	7,409,903
District of Columbia	8,027,778	5,066,748	2,343,155	7,409,903
ESCAMBIA COUNTY	665,506	507,989	106,295	614,284
OKALOOSA/SANTA ROSA/WALTON CONSORTIUM	656,213	480,016	125,690	605,706
BAY/JACKSON CONSORTIUM	812,862	791,058	0	791,058
LEON/GADSDEN CONSORTIUM	599,151	407,226	145,810	553,036
NORTH CENTRAL FLORIDA CONSORTIUM (ALACHU	1,049,171	499,248	469,171	968,419
DUVAL COUNTY	1,723,033	1,115,224	475,192	1,590,416
CLAY/ST. JOHNS CONSORTIUM	671,511	527,191	92,636	619,827
MARION/CITRUS CONSORTIUM	869,866	808,205	13,171	821,376
VOLUSIA/LAKE CONSORTIUM	1,101,440	961,007	55,658	1,016,665
SEMINOLE COUNTY	484,048	280,627	166,165	446,792
ORANGE/OSCEOLA CONSORTIUM	1,385,057	1,062,963	215,485	1,278,453
BREVARD COUNTY	813,056	391,984	358,493	750,477
PASCO COUNTY	500,233	368,903	92,828	461,731
BALANCE OF HILLSBOROUGH COUNTY	843,911	623,338	155,520	778,958
PINELLAS COUNTY	1,877,706	862,340	870,844	1,733,184
TAMPA CITY	1,151,259	669,505	393,145	1,062,650
MANASOTA CONSORTIUM	729,634	473,119	200,357	673,476
HEARTLAND MANPOWER CONSORTIUM	2,033,504	1,936,866	0	1,936,866
ST. LUCIE/MARTIN CONSORTIUM	961,134	944,222	0	944,222
COLLIER/CHARLOTTE CONSORTIUM	582,492	557,397	0	557,397
LEE COUNTY	473,742	392,677	44,602	437,279
PALM BEACH COUNTY	1,537,305	1,395,199	23,784	1,418,983
BROWARD COUNTY	2,520,334	1,430,232	896,119	2,326,351
DADE/MONROE CONSORTIUM	5,469,342	5,253,535	0	5,253,535
Florida	29,531,510	22,740,076	4,901,065	27,641,141
NORTHWEST GEORGIA CONSORTIUM	1,640,888	1,356,217	158,376	1,514,593
GEORGIA MOUNTAINS CONSORTIUM	711,340	556,770	99,820	656,590
METROPOLITAN ATLANTA CONSORTIUM	1,298,233	830,570	367,742	1,198,312
NORTHEST GEORGIA CONSORTIUM	658,058	557,475	49,934	607,409
GEORGIA 5 CONSORTIUM	1,092,432	964,959	43,392	1,008,351
LOWER CHATTAHOOCHEE CONSORTIUM	1,223,352	864,564	264,630	1,129,194
MID GEORGIA CONSORTIUM	799,099	741,047	0	741,047
HEART OF GEORGIA CONSORTIUM	650,531	553,345	47,116	600,461
CSRA CONSORTIUM	1,015,476	965,367	0	965,367
ALTAMAHA CONSORTIUM	770,760	732,727	0	732,727
SAVANNAH/CHATHAM CONSORTIUM	589,903	560,794	0	560,794
SOUTHWEST GEORGIA CONSORTIUM	1,098,357	1,044,158	0	1,044,158
SOUTH GEORGIA CONSORTIUM	917,346	872,079	0	872,079
ATLANTA CITY	2,129,197	1,492,356	472,963	1,965,319
BALANCE OF DEKALB COUNTY	839,350	546,633	228,115	774,748
CLAYTON COUNTY	290,117	171,329	96,459	267,788
Georgia	15,724,399	12,810,390	1,828,547	14,638,937
HAWAII COUNTY	401,140	378,775	0	378,775
HONOLULU CITY/COUNTY	1,938,075	1,274,071	514,836	1,788,907
KAUAI COUNTY	139,499	106,693	22,069	128,762
MAUI/KALAWAO CONSORTIUM	263,265	167,811	75,191	243,002
Hawaii	2,741,979	1,927,350	612,096	2,539,446

U.S. DEPARTMENT OF LABOR--EMPLOYMENT AND TRAINING ADMINISTRATION PAGE 4
OFFICE OF FINANCIAL CONTROL AND MANAGEMENT SYSTEMS
PY 1985 JTPA TITLE II-B ALLOCATIONS
03-14-1986

	SUMMER 85	SUMMER 86	$108.7M	TOTAL SUMMER 86
PANHANDLE AREA CONSORTIUM	637,777	724,098	0	724,098
CLEARWATER AREA CONSORTIUM	299,605	305,453	0	305,453
IDE-ORE CONSORTIUM	973,324	823,142	75,268	898,410
IDAHO REGION 4 CONSORTIUM	412,205	352,616	27,863	380,479
SOUTH EAST IDAHO CONSORTIUM	452,149	292,969	124,379	417,348
EAST CENTRAL IDAHO CONSORTIUM	307,961	276,045	8,213	284,258
Idaho	3,083,021	2,774,323	235,723	3,010,046
LAKE COUNTY	851,708	697,804	88,350	786,154
MC HENRY COUNTY	331,585	335,583	0	335,583
ROCKFORD CONSORTIUM	1,197,522	869,501	-235,851	1,105,352
ILLINOIS 4 CONSORTIUM	650,609	659,362	0	659,362
DE KALB CONSORTIUM	1,119,174	946,633	86,401	1,033,034
BALANCE OF DU PAGE COUNTY	1,131,661	827,708	216,852	1,044,560
BALANCE OF COOK COUNTY	4,040,632	3,685,913	43,723	3,729,636
NORTHWEST COOK COUNTY CONSORTIUM	1,331,184	838,959	389,768	1,228,727
CHICAGO CITY	21,992,382	12,687,388	7,612,302	20,299,690
WILL COUNTY	1,101,465	858,390	158,298	1,016,688
ILLINOIS 11 CONSORTIUM	641,971	606,187	0	606,187
ILLINOIS 12 CONSORTIUM	708,035	714,454	0	714,454
ILLINOIS 13 CONSORTIUM	1,113,335	1,122,128	0	1,122,128
ILLINOIS 14 CONSORTIUM	1,003,466	1,076,881	0	1,076,881
ILLINOIS 15 CONSORTIUM	975,983	827,328	73,536	900,864
ILLINOIS 16 CONSORTIUM	1,121,636	971,506	63,801	1,035,307
CHAMPAIGN CONSORTIUM	569,038	511,877	13,364	525,241
VERMILLION CONSORTIUM	405,783	437,212	0	437,212
DE WITT/MACON CONSORTIUM	622,246	505,454	68,899	574,353
LAND OF LINCOLN CONSORTIUM	753,162	703,156	0	703,156
ILLINOIS 21 CONSORTIUM	733,902	716,104	0	716,104
MADISON/BOND CONSORTIUM	1,073,980	1,019,973	0	1,019,973
ILLINOIS 23 CONSORTIUM	1,279,532	1,367,772	0	1,367,772
ST. CLAIR CONSORTIUM	1,528,208	1,469,725	0	1,469,725
ILLINOIS 25 CONSORTIUM	1,017,540	1,019,200	0	1,019,200
ILLINOIS 26 CONSORTIUM	925,839	978,719	0	978,719
Illinois	48,221,578	36,454,917	9,051,145	45,506,062
LAKE COUNTY	4,508,581	2,587,187	1,574,381	4,161,568
KANKAKEE VALLEY CONSORTIUM	1,052,463	1,020,136	0	1,020,136
ST. JOSEPH COUNTY	797,333	635,071	100,894	735,965
NORTHERN INDIANA CONSORTIUM	658,930	592,522	15,692	608,214
NORTHEASTERN INDIANA CONSORTIUM	1,513,689	1,203,618	193,567	1,397,185
TECUMSEH AREA CONSORTIUM	797,544	557,493	178,666	736,159
NORTH CENTRAL INDIANA CONSORTIUM	809,320	595,035	151,994	747,029
MADISON-GRANT CONSORTIUM	689,419	625,488	10,868	636,356
EAST CENTRAL INDIANA CONSORTIUM	871,735	847,713	0	847,713
WESTERN INDIANA CONSORTIUM	685,828	637,879	0	637,879
CIRCLE SEVEN CONSORTIUM	970,657	496,457	399,491	895,948
INDIANAPOLIS CITY/MARION COUNTY	3,573,920	2,188,747	1,110,098	3,298,845
SOUTHEASTERN INDIANA CONSORTIUM	1,068,662	1,127,270	0	1,127,270
SHAWNEE TRACE CONSORTIUM	1,183,294	894,777	197,442	1,092,219
SOUTH CENTRAL INDIANA CONSORTIUM	772,441	709,228	3,760	712,988
SOUTHWEST INDIANA CONSORTIUM	902,384	872,250	0	872,250
HOOSIER FALLS CONSORTIUM	917,511	841,826	5,067	846,893
Indiana	21,773,711	16,432,697	3,941,920	20,374,617
IOWA 1 CONSORTIUM	303,924	348,497	0	348,497
IOWA 2 CONSORTIUM	362,683	414,807	0	414,807
IOWA 3 CONSORTIUM	333,607	335,971	0	335,971

U.S. DEPARTMENT OF LABOR—EMPLOYMENT AND TRAINING ADMINISTRATION PAGE 5
OFFICE OF FINANCIAL CONTROL AND MANAGEMENT SYSTEMS
PY 1985 JTPA TITLE II-B ALLOCATIONS
03-14-1986

	SUMMER 85	SUMMER 86	$108.7M	TOTAL SUMMER 86
IOWA 4 CONSORTIUM	438,395	394,177	10,476	404,653
IOWA 5 CONSORTIUM	273,857	286,607	0	286,607
IOWA 6 CONSORTIUM	239,002	242,400	0	242,400
IOWA 7 CONSORTIUM	855,040	947,499	0	947,499
DELAWARE/DUBUQUE CONSORTIUM	567,631	391,967	131,975	523,942
IOWA 9 CONSORTIUM	837,416	896,661	0	896,661
IOWA 10 CONSORTIUM	733,588	613,008	64,118	677,126
CENTRAL IOWA CONSORTIUM	1,233,394	626,263	512,191	1,138,454
IOWA 12 CONSORTIUM	214,107	249,031	0	249,031
IOWA 13 CONSORTIUM	527,798	508,378	0	508,378
IOWA 14 CONSORTIUM	162,768	182,721	0	182,721
IOWA 15 CONSORTIUM	455,211	518,693	0	518,693
IOWA 16 CONSORTIUM	364,033	411,123	0	411,123
Iowa	7,904,444	7,367,803	718,760	8,086,563
KANSAS 1 CONSORTIUM	1,245,816	540,884	609,045	1,149,929
KANSAS 2 CONSORTIUM	1,078,810	728,814	266,963	995,777
KANSAS 3 CONSORTIUM	795,676	577,443	156,992	734,435
KANSAS 4 CONSORTIUM	1,324,560	767,454	455,158	1,222,612
KANSAS 5 CONSORTIUM	920,659	739,514	110,284	849,798
Kansas	5,365,521	3,354,109	1,598,442	4,952,551
PURCHASE-PENNYRILE CONSORTIUM	1,463,164	1,422,172	0	1,422,172
TRI-ADD NORTHEAST CONSORTIUM	2,351,436	2,181,784	0	2,181,784
LOUISVILLE CITY/JEFFERSON COUNTY	2,988,006	2,394,514	363,514	2,758,028
NORTH CENTRAL KENTUCKY CONSORTIUM	324,826	275,002	24,823	299,825
NORTHERN KENTUCKY CONSORTIUM	938,228	745,132	120,883	866,015
TEN-CO CONSORTIUM	985,681	686,047	223,769	909,816
EASTERN KENTUCKY RURAL CEP	3,164,329	3,164,329	0	3,164,329
THE CUMBERLANDS CONSORTIUM	1,361,837	1,200,220	56,800	1,257,020
BLUE GRASS CONSORTIUM	1,347,563	898,948	344,897	1,243,845
Kentucky	14,925,070	12,968,148	1,134,686	14,102,834
LOUISIANA 10	653,766	813,811	0	813,811
JEFFERSON PARISH	1,296,269	1,436,063	0	1,436,063
ORLEANS PARISH	2,011,821	2,475,088	0	2,475,088
LOUISIANA 20	1,617,620	1,879,599	0	1,879,599
EAST BATON ROUGE PARISH	963,364	1,079,139	0	1,079,139
LOUISIANA 31	821,327	796,426	0	796,426
LOUISIANA 32	386,299	521,416	0	521,416
LOUISIANA 40	2,066,088	2,045,588	0	2,045,588
LAFAYETTE PARISH	442,161	471,378	0	471,378
LOUISIANA 50	379,054	389,112	0	389,112
CALCASIEU CONSORTIUM	1,126,160	991,647	47,836	1,039,483
LOUISIANA 60	553,705	656,494	0	656,494
RAPIDES PARISH	441,052	467,034	0	467,034
LOUISIANA 70	1,135,712	1,149,287	0	1,149,287
SHREVEPORT CITY	690,381	662,031	0	662,031
LOUISIANA 80	873,246	938,724	0	938,724
OUACHITA PARISH	504,429	531,926	0	531,926
Louisiana	15,951,454	17,304,763	47,836	17,352,599
CUMBERLAND COUNTY	569,258	154,813	370,631	525,444
BALANCE OF MAINE CONSORTIUM	3,099,004	2,513,475	347,007	2,860,482
Maine	3,668,262	2,668,288	717,638	3,385,926

U.S. DEPARTMENT OF LABOR—EMPLOYMENT AND TRAINING ADMINISTRATION PAGE 6
OFFICE OF FINANCIAL CONTROL AND MANAGEMENT SYSTEMS
PY 1985 JTPA TITLE II-B ALLOCATIONS
03-14-1986

	SUMMER 85	SUMMER 86	$108.7M	TOTAL SUMMER 86
BALTIMORE CONSORTIUM	6,428,068	3,329,799	2,603,519	5,933,318
BALTIMORE COUNTY	1,639,159	1,294,409	218,589	1,512,998
FREDERICK COUNTY	229,451	116,785	95,006	211,791
LOWER SHORE CONSORTIUM	518,563	459,847	18,804	478,651
MONTGOMERY COUNTY	721,870	189,931	476,379	666,310
PRINCE GEORGES COUNTY	1,418,957	586,065	723,679	1,309,744
SOUTHERN MARYLAND CONSORTIUM	532,001	137,327	353,727	491,054
SUSQUEHANNA REGION CONSORTIUM	620,042	514,021	58,298	572,319
UPPER SHORE CONSORTIUM	410,716	341,435	37,669	379,104
WESTERN MARYLAND CONSORTIUM	1,187,441	927,750	168,297	1,096,047
Maryland	13,706,268	7,897,369	4,753,967	12,651,336
BERKSHIRE CONSORTIUM	572,719	497,304	31,334	528,638
BOSTON CITY	2,895,070	1,760,336	911,909	2,672,245
BRISTOL CONSORTIUM	1,251,280	1,486,145	0	1,486,145
BROCKTON AREA CONSORTIUM	660,971	527,207	82,891	610,098
FRANKLIN/HAMPSHIRE CONSORTIUM	707,722	513,434	139,817	653,251
HAMPDEN CONSORTIUM	1,486,558	1,206,687	165,455	1,372,142
LOWER MERRIMACK VALLEY CONSORTIUM	926,260	697,729	157,239	854,968
METRO NORTH CONSORTIUM	2,378,215	986,960	1,208,211	2,195,171
METRO SOUTHWEST CONSORTIUM	1,733,566	382,356	1,217,782	1,600,138
NEW BEDFORD/CAPE AND ISLANDS CONSORTIUM	1,521,130	1,628,163	0	1,628,163
NORTHERN MIDDLESEX CONSORTIUM	708,693	282,040	372,107	654,147
NORTHERN WORCESTER CONSORTIUM	654,522	549,429	54,716	604,145
SOUTH COASTAL CONSORTIUM	1,326,227	681,742	542,409	1,224,151
SOUTHERN ESSEX CONSORTIUM	1,219,904	584,926	541,085	1,126,011
SOUTHERN WORCESTER CONSORTIUM	1,513,779	862,483	534,785	1,397,268
Massachusetts	19,556,616	12,646,941	5,959,740	18,606,681
BERRIEN/CASS/VAN BUREN CONSORTIUM	1,245,471	1,262,143	0	1,262,143
CAPC	854,334	955,906	0	955,906
DETROIT CITY	8,108,179	6,566,557	917,558	7,484,115
DOWNRIVER COMMUNITY CONFERENCE/MONROE CO	1,686,053	1,507,976	48,306	1,556,282
EASTERN UPPER PENINSULA CONSORTIUM	365,663	371,554	0	371,554
GENESSEE/SHIAWASSEE CONSORTIUM	2,803,193	2,210,745	376,694	2,587,439
G-PAC	1,028,682	862,451	87,056	949,507
GRAETC II	1,684,448	1,589,671	0	1,589,671
KALAMAZOO/ST. JOSEPH CONSORTIUM	866,558	818,366	0	818,366
LANSING/TRI-COUNTY CONSORTIUM	1,531,442	1,343,080	70,491	1,413,571
MACOMB/ST. CLAIR CONSORTIUM	3,328,331	2,769,346	302,813	3,072,159
MID COUNTIES CONSORTIUM	893,484	844,379	0	844,379
MUSKEGON/OCEANA CONSORTIUM	827,407	801,222	0	801,222
NORTHEAST MICHIGAN CONSORTIUM	681,392	715,550	0	715,550
NORTHWEST MICHIGAN CONSORTIUM	1,072,334	1,052,515	0	1,052,515
BALANCE OF OAKLAND COUNTY	2,213,583	1,686,013	357,201	2,043,214
OTTAWA/ALLEGAN CONSORTIUM	729,994	721,698	0	721,698
MICHIGAN REGION 7B CONSORTIUM	634,222	600,536	0	600,536
MICHIGAN REGION II CONSORTIUM	1,459,392	1,041,676	305,391	1,347,067
SAGINAW/MIDLAND/BAY CONSORTIUM	1,706,387	1,780,455	0	1,780,455
SIX COUNTY CONSORTIUM	864,211	788,291	9,404	797,695
THUMB AREA CONSORTIUM	934,113	851,235	10,982	862,217
WALTEC	1,233,933	912,213	226,748	1,138,961
BALANCE OF WAYNE COUNTY	2,146,689	1,783,124	198,340	1,981,464
WEST CENTRAL MICHIGAN CONSORTIUM	614,684	638,948	0	638,948
WESTERN UPPER PENINSULA CONSORTIUM	455,860	470,866	0	470,866
Michigan	39,970,044	34,946,516	2,910,984	37,857,500

U.S. DEPARTMENT OF LABOR—EMPLOYMENT AND TRAINING ADMINISTRATION PAGE 7
OFFICE OF FINANCIAL CONTROL AND MANAGEMENT SYSTEMS
PY 1985 JTPA TITLE II-B ALLOCATIONS
03-14-1986

	SUMMER 85	SUMMER 86	$108.7M	TOTAL SUMMER 86
NORTHWEST MINNESOTA CONSORTIUM	592,280	329,157	217,537	546,694
MINNESOTA RURAL CEP	1,771,741	1,771,743	0	1,771,743
NORTHEAST MINNESOTA CONSORTIUM	1,222,986	1,090,727	38,129	1,128,856
DULUTH CITY	292,691	205,780	64,383	270,163
EAST CENTRAL MINNESOTA CONSORTIUM	968,260	886,102	0	886,102
SOUTHWESTERN MINNESOTA CONSORTIUM	674,943	482,590	140,405	622,995
SOUTH CENTRAL MINNESOTA CONSORTIUM	479,706	381,750	61,034	442,784
SOUTHEASTERN MINNESOTA CONSORTIUM	821,960	637,075	121,621	758,696
WEST METRO CONSORTIUM	919,829	448,927	400,105	849,032
MINNEAPOLIS CITY	1,301,152	620,930	580,076	1,201,006
ST. PAUL CITY	798,838	489,520	247,834	737,354
STEARNS COUNTY	326,701	294,984	6,572	301,556
WINONA COUNTY	145,985	107,174	27,575	134,749
ANOKA COUNTY	352,044	225,540	99,408	324,948
DAKOTA COUNTY	294,427	193,423	78,343	271,766
BALANCE OF RAMSEY COUNTY	253,620	114,033	120,067	234,100
WASHINTON COUNTY	157,098	70,788	74,219	145,007
Minnesota	11,364,261	8,350,243	2,277,308	10,627,551
CAPITAL AREA CONSORTIUM	674,315	361,073	261,342	622,415
GULF COAST CONSORTIUM	589,178	557,385	0	557,385
RURAL MISSISSIPPI CONSORTIUM	9,038,534	9,598,234	0	9,598,234
Mississippi	10,302,027	10,516,692	261,342	10,778,034
MISSOURI 1 CONSORTIUM	793,484	641,657	90,755	732,412
MISSOURI 2 CONSORTIUM	720,894	637,761	27,648	665,409
MISSOURI 3 CONSORTIUM	2,135,945	1,170,668	800,879	1,971,547
MISSOURI 4 CONSORTIUM	665,259	530,441	83,615	614,056
MISSOURI 5 CONSORTIUM	642,648	533,182	60,003	593,185
MISSOURI 6 CONSORTIUM	3,404,000	1,819,492	1,322,512	3,142,004
MISSOURI 7 CONSORTIUM	641,094	525,372	66,379	591,751
MISSOURI 8 CONSORTIUM	947,649	770,043	104,668	874,711
MISSOURI 9 CONSORTIUM	780,070	788,471	0	788,471
MISSOURI 10 CONSORTIUM	860,754	875,763	0	875,763
MISSOURI 11 CONSORTIUM	1,347,097	1,253,841	0	1,253,841
MISSOURI 12 CONSORTIUM	504,122	187,864	277,457	465,321
MISSOURI 13 CONSORTIUM	2,022,663	1,536,654	330,330	1,866,984
MISSOURI 14 CONSORTIUM	330,097	240,415	64,275	304,690
MISSOURI 15 CONSORTIUM	687,992	640,133	0	640,133
Missouri	16,483,768	12,151,757	3,228,521	15,380,278
BUTTE RURAL CEP	454,265	454,265	0	454,265
BALANCE OF MONTANA CONSORTIUM	2,069,430	1,886,689	23,463	1,910,152
Montana	2,523,695	2,340,954	23,463	2,364,417
GREATER NEBRASKA CONSORTIUM	1,852,266	1,201,007	508,695	1,709,702
GREATER OMAHA CONSORTIUM	1,300,581	1,016,600	183,879	1,200,479
GREATER LINCOLN CONSORTIUM	364,506	146,580	189,871	336,451
Nebraska	3,517,353	2,364,187	882,445	3,246,632
NORTHERN NEVADA CONSORTIUM	981,011	926,338	0	926,338
SOUTHERN NEVADA CONSORTIUM	1,651,251	1,652,727	0	1,652,727
Nevada	2,632,262	2,579,065	0	2,579,065

U.S. DEPARTMENT OF LABOR—EMPLOYMENT AND TRAINING ADMINISTRATION PAGE 8
OFFICE OF FINANCIAL CONTROL AND MANAGEMENT SYSTEMS
PY 1985 JTPA TITLE II-B ALLOCATIONS
03-14-1986

	SUMMER 85	SUMMER 86	$108.7M	TOTAL SUMMER 86
HILLSBOROUGH COUNTY	568,361	319,570	205,046	524,616
BALANCE OF NEW HAMPSHIRE CONSORTIUM	1,623,084	1,326,618	171,542	1,498,160
New Hampshire	2,191,445	1,646,188	376,588	2,022,776
ATLANTIC/CAPE MAY CONSORTIUM	1,394,702	1,285,904	1,452	1,287,356
BERGEN COUNTY	1,623,701	721,510	777,219	1,498,729
BURLINGTON COUNTY	810,744	422,714	325,629	748,343
CAMDEN COUTNTY	1,546,313	1,038,553	388,745	1,427,298
CUMBERLAND/SALEM CONSORTIUM	993,861	873,928	43,438	917,366
BALANCE OF ESSEX COUNTY	1,391,305	1,025,396	258,824	1,284,220
GLOUCESTER COUNTY	547,018	440,611	64,305	504,916
BALANCE OF HUDSON COUNTY	1,609,603	1,500,407	0	1,500,407
JERSEY CITY	1,677,673	1,214,920	333,627	1,548,547
MERCER COUNTY	883,977	564,028	251,912	815,940
MIDDLESEX COUNTY	1,764,649	922,079	706,750	1,628,829
MONMOUTH COUNTY	1,391,024	806,566	477,395	1,283,961
MORRIS COUNTY	716,062	144,566	516,383	660,949
NEWARK CITY	4,805,887	2,092,557	2,343,434	4,435,991
OCEAN COUNTY	792,944	316,182	415,731	731,913
PASSAIC COUNTY	1,795,664	1,503,807	153,650	1,657,457
SOMERSET/HUNTERDON CONSORTIUM	504,269	97,326	368,131	465,457
SUSSEX/WARREN CONSORTIUM	468,917	153,974	278,852	432,826
UNION COUNTY	1,429,589	1,219,332	100,226	1,319,558
New Jersey	26,147,902	16,344,360	7,805,703	24,150,063
ALBUQUERQUE CITY/BERNALILLO COUNTY	1,206,615	631,897	555,691	1,187,588
BALANCE OF NEW MEXICO CONSORTIUM	3,251,253	3,646,117	0	3,646,117
New Mexico	4,537,868	4,278,014	555,691	4,833,705
OYSTER BAY	1,025,374	182,280	764,174	946,454
HEMPSTEAD/LONG BEACH CONSORTIUM	1,513,850	854,805	542,528	1,397,333
SUFFOLK COUNTY	2,705,148	1,499,569	997,371	2,496,940
NEW YORK CITY	30,538,722	26,404,470	1,783,773	28,188,243
YONKERS CITY	559,900	363,083	153,723	516,806
BALANCE OF WESTCHESTER COUNTY	1,578,098	475,469	981,167	1,456,636
ROCKLAND COUNTY	429,862	136,968	259,809	396,777
DUTCHESS/PUTNAM CONSORTIUM	630,977	209,369	373,043	582,412
ORANGE COUNTY	636,073	457,111	130,005	587,116
ULSTER COUNTY	373,930	213,130	132,020	345,150
SULLIVAN COUNTY	166,505	125,147	28,543	153,690
ALBANY/RESSELAER/SCHENECTADY CONSORTIUM	1,444,805	854,223	479,379	1,333,602
COLUMBIA/GREENE COUNTY	288,043	227,503	38,370	265,873
FULTON/MONTGOMERY/SCHOHARIE CONSORTIUM	539,359	605,183	0	605,183
SARATOGA/WARREN/WASHINGTON CONSORTIUM	670,998	546,527	72,826	619,353
CLINTON/ESSEX/FRANKLIN/HAMILTON CONSORTI	630,029	551,945	29,592	581,537
JEFFERSON/LEWIS CONSORTIUM	512,649	557,139	0	557,139
ST. LAWRENCE COUNTY	386,702	341,411	15,528	356,939
HERKIMER/MADISON/ONEIDA CONSORTIUM	1,163,035	970,459	103,107	1,073,566
BROOME/TIOGA CONSORTIUM	717,709	478,871	183,598	662,469
CHENANGO/DELAWARE/OTSEGO CONSORTIUM	456,578	350,008	71,428	421,436
CAYUGA/CORTLAND/TOMPKINS CONSORTIUM	627,486	529,199	49,991	579,190
SYRACUSE CITY	650,323	439,021	161,248	600,269
BALANCE OF ONONDAGA COUNTY	548,893	199,563	307,083	506,646
OSWEGO COUNTY	372,859	332,143	12,046	344,189
CHEMUNG/SCHUYLER/STEUBEN CONSORTIUM	739,701	544,870	137,898	682,768
ONTARIO/SENECA/WAYNE/YATES CONSORTIUM	811,878	625,287	124,103	749,390
ROCHESTER CITY	963,125	708,972	180,024	888,996
BALANCE OF MONROE COUNTY	498,646	137,370	322,897	460,267

U.S. DEPARTMENT OF LABOR—EMPLOYMENT AND TRAINING ADMINISTRATION PAGE 9
OFFICE OF FINANCIAL CONTROL AND MANAGEMENT SYSTEMS
PY 1985 JTPA TITLE II-B ALLOCATIONS
03-14-1986

	SUMMER 85	SUMMER 86	$108.7M	TOTAL SUMMER 86
ELOW	790,247	572,900	156,524	729,424
NIAGARA COUNTY	979,015	731,359	172,304	903,663
BUFFALO/CHEEKTOWAGA/TONAWANDA CONSORTIUM	3,374,652	1,892,293	1,222,622	3,114,915
BALANCE OF ERIE COUNTY	1,279,695	859,730	321,470	1,181,200
SOUTHWEST NEW YORK PARTNERSHIP	976,592	797,895	103,531	901,426
New York	59,581,538	44,775,272	10,411,725	55,186,997
ALAMANCE COUTNY	344,342	264,086	53,753	317,839
BUNCOMBE COUNTY	490,458	377,516	75,193	452,709
CUMBERLAND COUNTY	818,018	529,469	226,588	755,057
DAVIDSON COUNTY	371,777	160,506	182,656	343,162
CENTRAL PIEDMONT CONSORTIUM	541,192	210,859	288,679	499,538
FORSYTHE COUNTY	566,069	373,016	149,503	522,519
GASTON COUNTY	462,780	398,337	28,824	427,161
GUILFORD COUNTY	788,463	491,562	236,215	727,777
MECKLENBURG COUNTY	855,914	516,236	273,801	790,037
WAKE/JOHNSON CONSORTIUM	871,660	374,462	430,109	804,571
CENTRALINA CONSORTIUM	1,154,393	910,881	154,662	1,065,543
RURAL NORTH CAROLINA CONSORTIUM	10,397,063	9,179,861	416,969	9,596,830
North Carolina	17,662,149	13,785,791	-2,516,952	16,302,743
NORTH DAKOTA CONSORTIUM	1,775,415	1,646,188	0	1,646,188
North Dakota	1,775,415	1,646,188	0	1,646,188
OHIO 1 CONSORTIUM	774,607	658,043	56,945	714,988
OHIO 2 CONSORTIUM	834,770	749,081	21,439	770,520
OHIO 3 CONSORTIUM	743,365	639,489	46,661	686,150
MONTGOMERY/PREBLE/DAYTON CONSORTIUM	1,908,529	1,565,958	195,677	1,761,635
BUTLER COUNTY	819,118	809,244	0	809,244
BALANCE OF HAMILTON COUNTY	893,719	730,638	94,294	824,932
CINCINNATI CITY	1,906,284	1,567,498	192,065	1,759,563
TOLEDO AREA CONSORTIUM	3,105,681	1,738,823	1,127,822	2,866,645
OHIO 10 CONSORTIUM	693,770	733,224	0	733,224
TECUMSEH CONSORTIUM	1,153,251	934,908	129,581	1,064,489
CLERMONT/WARREN CONSORTIUM	755,821	683,980	13,668	697,648
OHIO 13 CONSORTIUM	1,128,805	996,468	45,456	1,041,924
OHIO 14 CONSORTIUM	869,594	876,410	0	876,410
CENTRAL OHIO RURAL CONSORTIUM	999,976	1,008,812	0	1,008,812
FRANKLIN COUNTY	2,588,437	2,167,898	221,314	2,389,212
OHIO 17 CONSORTIUM	949,156	855,671	20,431	876,102
OHIO 18 CONSORTIUM	1,204,490	1,089,460	22,324	1,111,784
LORAIN COUNTY	1,200,234	866,793	241,062	1,107,855
CLEVELAND CITY	5,791,078	2,884,036	2,461,319	5,345,355
BALANCE OF CUYAHOGA COUNTY	1,937,882	1,527,632	261,097	1,788,729
AKRON/SUMMIT/MEDINA CONSORTIUM	2,114,426	1,834,476	117,209	1,951,685
OHIO 23 CONSORTIUM	2,220,909	2,011,795	38,177	2,049,972
OHIO 24 CONSORTIUM	1,096,677	1,067,505	0	1,067,505
LAKE COUNTY	720,660	631,232	33,961	665,193
ASHTABULA/GEAUGA CONSORTIUM	661,614	580,452	30,239	610,691
TRUMBULL COUNTY	1,360,482	849,850	405,920	1,255,770
PORTAGE COUNTY	501,047	451,515	10,968	462,483
YOUNGSTOWN CITY	710,512	598,495	57,331	655,826
COLUMBIANA/MAHONING CONSORTIUM	1,062,951	863,232	117,907	981,139
OHIO 31 CONSORTIUM	1,368,440	1,340,178	0	1,340,178
Ohio	42,076,283	33,312,796	5,962,867	39,275,663

U.S. DEPARTMENT OF LABOR--EMPLOYMENT AND TRAINING ADMINISTRATION
OFFICE OF FINANCIAL CONTROL AND MANAGEMENT SYSTEMS
PY 1985 JTPA TITLE II-B ALLOCATIONS
03-14-1986

	SUMMER 85	SUMMER 86	$108.7M	TOTAL SUMMER 86
NORTHWEST OKLAHOMA AREA CONSORTIUM	161,854	137,473	11,924	149,397
SOUTHWEST OKLAHOMA AREA CONSORTIUM	409,130	325,196	52,444	377,640
NORTH CENTRAL OKLAHOMA AREA CONSORTIUM	380,739	369,666	0	369,666
SOUTH CENTRAL OKLAHOMA AREA CONSORTIUM	706,832	671,846	0	671,846
CENTRAL OKLAHOMA AREA CONSORTIUM	1,472,022	1,382,232	0	1,382,232
TULSA AREA CONSORTIUM	1,730,739	1,457,978	139,551	1,597,529
EAST CENTRAL OKLAHOMA AREA CONSORTIUM	657,097	641,413	0	641,413
SOUTHERN OKLAHOMA AREA CONSORTIUM	658,967	624,107	0	624,107
NORTHEAST OKLAHOMA AREA CONSORTIUM	637,736	591,916	0	591,916
EASTERN OKLAHOMA AREA CONSORTIUM	923,111	905,174	0	905,174
SOUTHEAST OKLAHOMA AREA CONSORTIUM	728,662	779,545	0	779,545
BALANCE OF CLEVELAND COUNTY	203,661	202,248	0	202,248
Oklahoma	8,670,550	8,088,794	203,919	8,292,713
BALANCE OF CLACKAMAS COUNTY	642,807	631,355	0	631,355
SOUTHERN WILLAMETTE	1,025,214	1,013,261	0	1,013,261
JOB COUNCIL	1,213,169	776,383	343,412	1,119,795
MID WILLAMETTE VALLEY CONSORTIUM	1,055,689	1,016,162	0	1,016,162
MULTNOMAH/WASHINGTON CONSORTIUM	1,218,174	1,147,654	0	1,147,654
PORTLAND CITY	1,471,180	1,416,439	0	1,416,439
OREGON CONSORTIUM	3,189,352	3,667,271	0	3,667,271
Oregon	9,815,585	9,668,525	343,412	10,011,937
ERIE CITY/COUNTY	1,078,683	894,136	101,524	995,660
NORTHWEST PENNSYLVANIA CONSORTIUM	2,139,654	1,745,157	229,814	1,974,971
PITTSBURGH CITY	2,875,232	1,443,439	1,210,495	2,653,934
BALANCE OF ALLEGHENY COUNTY	3,275,251	2,969,514	53,650	3,023,164
BEAVER COUNTY	1,100,689	816,925	199,047	1,015,972
TRI-COUNTY CONSORTIUM	1,416,190	1,140,314	166,876	1,307,190
WESTMORELAND/FAYETTE CONSORTIUM	2,566,144	2,452,656	0	2,452,656
WASHINGTON/GREENE CONSORTIUM	1,099,782	1,152,610	0	1,152,610
SIX COUNTIES	1,015,414	951,091	0	951,091
SOUTHERN ALLEGANY CONSORTIUM	2,934,855	2,189,836	519,131	2,708,967
MID-STATE CONSORTIUM	1,198,892	1,118,606	0	1,118,606
CENTRAL REGION TRAINING SERVICES	1,041,460	968,436	0	968,436
NORTHERN TIER CONSORTIUM	663,619	602,620	9,922	612,542
LACKAWANNA COUNTY	897,186	711,567	116,565	828,132
POCONO COUNTIES	574,295	579,858	0	579,858
LUZERNE/SCHUYLKILL CONSORTIUM	2,037,161	2,125,476	0	2,125,476
PHILADELPHIA CITY/COUNTY	6,705,131	5,829,372	359,684	6,189,056
BUCKS COUNTY	1,067,289	988,490	0	988,490
MONTGOMERY COUNTY	1,211,195	785,418	332,555	1,117,973
DELAWARE COUNTY	1,225,884	992,916	138,615	1,131,531
CHESTER COUNTY	638,441	436,830	152,472	589,302
LEHIGH VALLEY CONSORTIUM	1,642,016	1,469,868	45,767	1,515,635
BERKS COUNTY	878,608	788,953	22,031	810,984
SUSQUEHANNA CONSORTIUM	1,289,963	797,042	393,636	1,190,678
LANCASTER COUNTY	718,009	512,970	149,776	662,746
YORK COUNTY	910,352	775,854	64,431	840,285
FRANKLIN/ADAMS CONSORTIUM	681,685	481,084	148,134	629,218
Pennsylvania	42,883,080	35,721,038	4,414,125	40,135,163
BAYAMON MUNICIPIO	980,854	1,103,115	0	1,103,115
SAN JUAN MUNICIPIO	2,485,498	2,440,935	0	2,440,935
PUERTO RICO CONSORTIUM	22,207,178	22,534,319	0	22,534,319
Puerto Rico	25,673,530	26,078,369	0	26,078,369

U.S. DEPARTMENT OF LABOR—EMPLOYMENT AND TRAINING ADMINISTRATION
OFFICE OF FINANCIAL CONTROL AND MANAGEMENT SYSTEMS
PY 1985 JTPA TITLE II-B ALLOCATIONS
03-14-1986

	SUMMER 85	SUMMER 86	$108.7M	TOTAL SUMMER 86
PROVIDENCE/CRANSTON	1,017,675	758,328	181,019	939,347
NORTHERN RHODE ISLAND CONSORTIUM	912,397	863,292	0	863,292
BALANCE OF RHODE ISLAND CONSORTIUM	1,579,149	737,100	720,506	1,457,606
Rhode Island	3,509,221	2,358,720	901,525	3,260,245
SOUTH CAROLINA CONSORTIUM	9,786,200	8,074,082	958,902	9,032,984
South Carolina	9,786,200	8,074,082	958,902	9,032,984
SOUTH DAKOTA CONSORTIUM	1,775,415	1,646,188	0	1,646,188
South Dakota	1,775,415	1,646,188	0	1,646,188
TENNESSEE 1 CONSORTIUM	1,123,963	1,137,814	0	1,137,814
TENNESSEE 2 CONSORTIUM	1,545,446	1,367,394	59,103	1,426,497
KNOX COUNTY	1,224,937	938,550	192,107	1,130,657
TENNESSEE 4 CONSORTIUM	1,181,738	947,418	143,365	1,090,783
TENNESSEE 5 CONSORTIUM	648,674	626,180	0	626,180
TENNESSEE 6 CONSORTIUM	1,245,914	1,030,071	119,949	1,150,020
TENNESSEE 7 CONSORTIUM	979,600	888,578	15,625	904,203
TENNESSEE 8 CONSORTIUM	1,373,891	1,003,167	264,979	1,268,146
NASHVILLE CITY/DAVIDSON COUNTY	1,239,515	1,090,773	53,340	1,144,113
TENNESSEE 10 CONSORTIUM	749,394	681,665	10,050	691,715
TENNESSEE 11 CONSORTIUM	815,657	596,110	156,768	752,878
TENNESSEE 12 CONSORTIUM	1,606,709	1,471,562	11,483	1,483,045
TENNESSEE 13 CONSORTIUM	494,243	460,366	0	460,366
FAYETTE/SHELBY CONSORTIUM	3,342,309	2,550,009	535,052	3,085,061
Tennessee	17,571,990	14,789,657	1,561,821	16,351,478
ALAMO CONSORTIUM	3,318,069	2,479,449	583,238	3,062,687
BRAZOS VALLEY CONSORTIUM	358,210	366,762	0	366,762
BALANCE OF CAPITAL AREA CONSORTIUM	425,616	310,317	82,541	392,858
AUSTIN CITY/TRAVIS COUNTY	771,898	677,038	35,449	712,487
CENTRAL TEXAS CONSORTIUM	539,832	479,570	18,713	498,283
BALANCE OF COASTAL BEND CONSORTIUM	683,637	569,228	61,791	631,019
NUECES COUNTY	997,039	890,002	30,298	920,300
CONCHO VALLEY CONSORTIUM	284,716	201,211	61,591	262,802
DEEP EAST TEXAS CONSORTIUM	829,972	837,921	0	837,921
EAST TEXAS CONSORTIUM	1,569,401	1,427,772	20,837	1,448,609
GOLDEN CRESCENT CONSORTIUM	435,454	317,832	84,106	401,938
GULF COAST CONSORTIUM	2,122,827	2,118,256	0	2,118,256
BALANCE OF HARRIS COUNTY	1,787,319	1,477,219	172,535	1,649,754
HOUSTON CITY	5,555,546	4,814,886	313,065	5,127,951
HEART OF TEXAS CONSORTIUM	633,151	502,571	81,848	584,419
CAMERON COUNTY	1,207,771	1,244,217	0	1,244,217
HILDALGO/WILLACY CONSORTIUM	2,332,093	2,515,836	0	2,515,836
MIDDLE RIO GRANDE CONSORTIUM	790,129	847,582	0	847,582
NORTH CENTRAL TEXAS CONSORTIUM	1,231,725	1,013,627	123,296	1,136,923
BALANCE OF DALLAS COUNTY CONSORTIUM	840,053	567,049	208,347	775,396
DALLAS CITY	2,269,924	1,752,484	342,730	2,095,214
BALANCE OF TARRANT COUNTY	304,131	205,656	75,067	280,723
FORT WORTH CONSORTIUM	1,558,055	928,712	509,424	1,438,136
NORTH EAST TEXAS CONSORTIUM	800,587	706,094	32,874	738,968
NORTH TEXAS CONSORTIUM	540,383	336,675	162,116	498,791
TEXAS PANHANDLE CONSORTIUM	759,206	587,139	113,633	700,772
PERMIAN BASIN CONSORTIUM	776,042	636,012	80,300	716,312
SOUTHEAST TEXAS CONSORTIUM	1,601,452	1,603,940	0	1,603,940
BALANCE OF SOUTH PLAINS CONSORTIUM	323,621	315,107	0	315,107
LUBBOCK/GARZA CONSORTIUM	512,688	445,270	27,958	473,228

U.S. DEPARTMENT OF LABOR—EMPLOYMENT AND TRAINING ADMINISTRATION PAGE 12
OFFICE OF FINANCIAL CONTROL AND MANAGEMENT SYSTEMS
PY 1985 JTPA TITLE II-B ALLOCATIONS
03-14-1986

	SUMMER 85	SUMMER 86	$108.7M	TOTAL SUMMER 86
SOUTH TEXAS CONSORTIUM	1,251,337	1,103,668	51,357	1,155,025
TEXOMA CONSORTIUM	473,604	256,915	180,237	437,152
UPPER RIO GRANDE CONSORTIUM	1,863,699	2,012,455	0	2,012,455
WEST CENTRAL TEXAS CONSORTIUM	715,288	506,133	154,101	660,234
Texas	40,464,475	35,054,605	3,607,452	38,662,057
WASATCH FRONT SOUTH CONSORTIUM	1,455,848	1,364,840	0	1,364,840
DAVIS COUNTY	245,793	119,053	107,822	226,875
WEBER/MORGAN CONSORTIUM	436,197	364,117	38,507	402,624
MOUNTAINLAND CONSORTIUM	682,797	617,012	13,232	630,244
BEAR RIVER CONSORTIUM	211,858	138,817	56,735	195,552
SOUTHEAST CONSORTIUM	324,548	268,894	30,674	299,568
CENTRAL CONSORTIUM	188,849	188,898	0	188,898
SOUTHWEST CONSORTIUM	174,599	163,219	0	163,219
UNITAH BASIN CONSORTIUM	153,354	136,329	5,222	141,551
Utah	3,873,843	3,361,179	252,192	3,613,371
VERMONT CONSORTIUM	1,775,415	1,646,188	0	1,646,188
Vermont	1,775,415	1,646,188	0	1,646,188
SDA-ONE	1,626,125	1,237,243	263,724	1,500,967
NEW RIVER/MOUNT ROGERS CONSORTIUM	1,138,524	963,848	87,047	1,050,895
FIFTH DISTRICT CONSORTIUM	746,435	367,772	321,212	688,984
SHENANDOAH VALLEY CONSORTIUM	1,099,599	867,287	147,679	1,014,966
NORTHERN VIRGINIA CONSORTIUM	1,118,298	256,074	776,152	1,032,226
ALEXANDRIA/ARLINGTON CONSORTIUM	695,045	267,471	374,078	641,549
PIEDMONT CONSORTIUM	592,256	384,221	162,451	546,672
CENTRAL PIEDMONT CONSORTIUM	1,337,542	1,170,792	63,803	1,234,595
SOUTH CENTRAL VIRGINIA CONSORTIUM	1,242,463	1,050,329	96,505	1,146,834
RICHMOND CITY	1,064,265	499,797	482,555	982,352
CAPITAL AREA CONSORTIUM	538,001	239,585	257,008	496,593
BAY AREA CONSORTIUM	819,224	584,407	171,764	756,171
GREATER PENINSULA CONSORTIUM	998,868	417,377	504,611	921,988
SOUTHEASTERN TIDEWATER CONSORTIUM	2,299,040	1,325,245	796,844	2,122,089
Virginia	15,315,685	9,631,448	4,505,433	14,136,881
OLYMPIC CONSORTIUM	633,765	612,318	0	612,318
PACIFIC MOUNTAIN CONSORTIUM	1,221,351	1,223,960	0	1,223,960
NORTHWEST WASHINGTON CONSORTIUM	916,019	923,030	0	923,030
SNOHOMISH COUNTY	1,215,801	1,056,980	65,244	1,122,224
SEATTLE CITY/KING COUNTY CONSORTIUM	3,814,800	3,379,447	141,739	3,521,186
TACOMA CITY/PIERCE COUNTY CONSORTIUM	1,677,426	1,533,798	14,521	1,548,319
SOUTHWEST WASHINGTON CONSORTIUM	1,024,461	1,026,739	0	1,026,739
THE PENTAD SDA	880,275	871,635	0	871,635
TRI-VALLEY CONSORTIUM	1,205,309	1,156,641	0	1,156,641
EASTERN JOB TRAINING PARTNERSHIP	423,700	419,407	0	419,407
BENTON/FRANKLIN/WALLA WALLA CONSORTIUM	856,135	760,122	30,119	790,241
SPOKANE CITY/COUNTY CONSORTIUM	1,077,017	1,077,132	0	1,077,132
Washington	14,946,079	14,046,229	251,623	14,297,852
KANAWHA COUNTY	900,440	904,147	0	904,147
BALANCE OF WEST VIRGINIA CONSORTIUM	8,469,385	8,134,309	0	8,134,309
West Virginia	9,369,825	9,038,456	0	9,038,456

U.S. DEPARTMENT OF LABOR--EMPLOYMENT AND TRAINING ADMINISTRATION
OFFICE OF FINANCIAL CONTROL AND MANAGEMENT SYSTEMS
PY 1985 JTPA TITLE II-B ALLOCATIONS
03-14-1986

	SUMMER 85	SUMMER 86	$108.7M	TOTAL SUMMER 86
WINNE/FORD LAKE CONSORTIUM	694,434	557,663	83,322	640,985
SOUTHEASTERN CONSORTIUM	1,217,126	931,391	192,056	1,123,447
NORTHERN LAKE WINNEBAGO CONSORTIUM	570,481	468,625	57,948	526,573
SOUTH CENTRAL WISCONSIN CONSORTIUM	784,793	691,221	33,169	724,390
MARATHON COUNTY	374,847	326,866	19,130	345,996
ROCK COUNTY	543,600	360,841	140,920	501,761
DANE COUNTY	704,888	461,595	189,040	650,635
WISCONSIN NORTHWEST CEP	889,151	889,151	0	889,151
CENTRAL WISCONSIN CONSORTIUM	613,514	510,801	55,493	566,294
WEST CENTRAL WISCONSIN CONSORTIUM	1,095,059	946,622	64,153	1,010,775
WOW CONSORTIUM	1,006,556	704,108	224,976	929,084
NORTH CENTRAL WISCONSIN CONSORTIUM	397,310	346,782	19,948	366,730
NORTHEAST WISCONSIN CONSORTIUM	880,259	742,770	69,738	812,508
SOUTHWEST WISCONSIN CONSORTIUM	442,048	347,954	60,071	408,025
WESTERN WISCONSIN CONSORTIUM	927,612	720,510	135,706	856,216
LAKE MICHIGAN CONSORTIUM	784,039	568,207	155,467	723,694
MILWAUKEE COUNTY	3,349,711	2,276,344	815,549	3,091,893
Wisconsin	15,275,428	11,851,451	2,316,706	14,168,157
WYOMING CONSORTIUM	1,775,415	1,646,188	0	1,646,188
Wyoming	1,775,415	1,646,188	0	1,646,188
AMERICAN SAMOA	55,313	55,003	0	55,003
American Samoa	55,313	55,003	0	55,003
GUAM	674,612	670,830	0	670,830
Guam	674,612	670,830	0	670,830
NORTHERN MARIANA ISLANDS	25,875	25,730	0	25,730
Northern Marianas	25,875	25,730	0	25,730
REP. OF PALAU	7,802	7,757	0	7,757
YAP STATE IN MICRONESIA	5,213	5,184	0	5,184
TRUK STATE IN MICRONESIA	24,143	24,008	0	24,008
PONAPE STATE IN MICRONESIA	14,218	14,138	0	14,138
KOSRAE STATE IN MICRONESIA	3,538	3,518	0	3,518
REP. OF THE MARSHALL ISLANDS	19,880	19,769	0	19,769
Trust Territory	74,794	74,374	0	74,374
VIRGIN ISLANDS	382,514	380,370	0	380,370
Virgin Islands	382,514	380,370	0	380,370
NATIONAL TOTAL	811,367,296	660,869,683	108,682,350	769,552,033

SUMMER YOUTH EMPLOYMENT

Mr. Conte: Can you describe how this authority to hold SDA's harmless was used in the summer of '85? 8

Mr. Semerad: The Department did not have this same authority for the 1985 summer. It was proposed in a rescission which was not enacted. However, the Department, using the $100,000,000 supplemental appropriation, was able to hold harmless all SDAs to at least 95.7 percent of their 1984 allocations.

Mr. Conte: Under the JTPA and Departmental regulations, SDA's have the program year and two additional years to spend their funds. Have any SDA's not spent their funds and had to return them to you? 30

Mr. Semerad: No. Since funds are expended on a first in, first out basis, no SDA has been unable to spend its funds in the time period allowed. The Department is, however, redistributing excess carry-out in the Summer Program among all the States pursuant to the authority in the 1986 DOL Appropriations Act. For the purposes of this provision, "excess unexpended funds" means any amount unexpended at the end of the year which is in excess of 10 percent of the prior year's allotment.

Mr. Conte: What SDA's are getting too much money, and which ones are not getting enough, over and above the hold harmless provisions already in the appropriations bill? 31

Mr. Semerad: The Department collects expenditure information only at the State level, not service delivery area (SDA) level. Therefore, we are unable to identify which SDAs account for the lower expenditures in some States and the resulting excess carryover, and which were able to spend all or almost all of the funds allocated to them.

SUMMER YOUTH EMPLOYMENT AND TRAINING PROGRAM

Mr. Roybal: Why does the Department propose decreasing the number of participants in the Summer Program for PY 87, while increasing the cost per participant? Can the Department identify the types of participants who will be eliminated from the Summer Program under this proposal? /

Mr. Semerad: These changes basically reflect the Department's interest in targeting the reduced level of funds to those areas with the most needy youth. Efforts to increase the amount of literacy training provided to youth during the summer months account for the slightly increased estimate of cost per participant. The summer program will continue to serve the same types of participants as it has in the past. However, those geographic areas with relatively lower concentrations of disadavantaged youth will likely receive no funds under the Title IIB summer program.

NATIONAL ACTIVITIES - PILOTS AND DEMONSTRATIONS

Mr. Roybal: The Department is requesting increased funding for the Pilots and Demonstrations program in PY 87. Does the Department plan to fund any projects to improve the participation rate of Hispanics in JTPA programs? 4

Mr. Semerad: Several ongoing Pilots and Demonstrations projects already have greater Hispanic participation in JTPA as at least one of their goals. We expect to conduct similar activities in PY 87.

NATIONAL ACTIVITIES - RESEARCH AND EVALUATION

Mr. Roybal: Why does the Department request an increase in the funding level of the research and evaluation (R&E) program? 5

Mr. Semerad: The $10.6 million funding increase will support research on the future dimensions of changing labor markets; testing strategies for assisting youth and dislocated workers in the face of changing market demands; and analysis of changing occupational requirements and the technologies of training.

A large share of the current Research and Evaluation budget supports basic program evaluation and data collection; the increase affords the Secretary the discretion to examine these broader labor market/training questions.

JOB CORPS

Mr. Roybal: For PY 1985, please estimate the unit cost of participation in the Job Corps program per corpsmember, and the percentage of corpsmembers obtaining jobs or continuing their education after leaving the Job Corps program. 8

Mr. Semerad: For PY 85, we estimate that the cost per corpsmember served will average about $9,300. In PY 85 the average length of stay by corpsmember will be slightly over 7 months. Of those who leave the program in PY 85, we estimate that about 57 percent will obtain jobs and another 13 percent will enter further education, which yields a total placement rate of 70 percent.

JTPA - HISPANIC PARTICIPATION

Mr. Roybal: What is the estimated participation rate of Hispanics in JTPA programs in PY 85 and PY 86? Has the JTPA been effective in addressing the needs of the unemployed Hispanic population? 9

Mr. Semerad: Under the block grant, Hispanics represented 10 percent of enrollees in PY 1984. This coincides with their representation in the eligible population. We expect that this representation will continue in PY 85 and PY 86.

The Department believes that JTPA has been effective in addressing the training and employment needs of the unemployed Hispanic population and will continue to address the unique needs of this population.

JTPA - OLDER WORKERS

Mr. Roybal: Recognizing that age-related myths often severely limit opportunities for training and employment among older workers, Congress has specifically targeted that funding under the Job Training Partnership Act be set aside to assist displaced older workers. What efforts are being made to assist workers aged 55 and over under both the Title II Disadvantaged Worker Program and the Title III Dislocated Worker Program? 10

Mr. Semerad: Under JTPA, 3 percent of each State's allotment is reserved for providing training and employment services to disadvantaged individuals age 55 or over. Many States have chosen to administer the provision through State aging agencies while other States have chosen other delivery methods. In addition, individuals age 55 and over who meet the eligibility requirements may be served in Title II-A programs administered by service delivery areas. Data for PY 1984 indicate that 5 percent of new adult enrollees in these programs were age 55 or over.

In the Title III Dislocated Worker Program, older individuals represent 7 percent of all the new enrollees in the first quarter of PY 85, compared with 6 percent in the same quarter a year ago.

Mr. Roybal: What percentage of the workers served under Title II and Title III are age 55 and over? 11

Mr. Semerad: For title II-A, in the first quarter of PY 85 (July -September 1985), 4 percent of new adult enrollees were age 55 years and older. In the same period, 7 percent of Title III enrollees were 55 years and older.

Mr. Roybal: What percentage of older workers received classroom training, on-the-job training, and job search assistance? 12

Mr. Semerad: For Title II-A in PY 1984, 28 percent of the new older worker enrollees were enrolled in classroom training, 18 percent in on-the-job training and 41 percent in job search assistance activities.

Mr. Roybal: What percentage of workers aged 55 and over entered employment at the time of termination? 13

Mr. Semerad: For Title II-A, in PY 1984, 70 percent of terminees aged 55 and over entered employment.

JTPA LINKAGES

Mr. Early: What steps are being taken to enhance the coordination and linkages among Employment and Training Administration (ETA) programs and federal agencies, as well as with the State and local governments?

Mr. Semerad: A major Department of Labor initiative is to promote linkages among ETA programs and with other organizations. With regard to ETA programs, we plan to take steps to promote Job Corps/Job Training Partnership Act (JTPA) linkages at the local level for referrals of enrollees, placement, work experience and provision of training. Examples include a Job Corps center providing training to displaced workers in advanced automotive repair skills and a JTPA Private Industry Council (PIC) providing outreach and screening for Job Corps centers. We are also establishing Job Corps/Senior Community Service Employment Program (SCSEP) linkages. Where feasible SCSEP participants will be placed in part-time jobs at Job Corps centers. Coordination between SCSEP and the Governors' programs for older workers under Section 124 of the JTPA is being strengthened. Bureau of Apprenticeship and Training (BAT) staff are participating at State and local levels with State Job Training Coordinating Councils, PICs, school boards, and other agencies to promote school-to-apprenticeship and apprentice training programs.

Additional linkages with other organizations include plans to develop innovative approaches and implement pilot/demonstration projects for fostering linkages between Job Corps, other federal agencies, State and local government, and the private sector. For example, Job Corps is working with the Department of the Army in a project designed to identify ways to provide expansion capability to Army training bases in the event of mobilization, in this case, through use of selected Job Corps center facilities for the provision of training. Under this pilot project, the Army plans to provide specific skills training to reservists at several Job Corps centers this summer. The Clements Job Corps center has been designated to provide training in construction occupations and the Gary Job Corps center in health occupations.

An interagency letter of understanding is encouraging training of JTPA participants for occupations in the Head Start program. Coordination with the Department of Justice's Juvenile Delinquency and Prevention Administration is encouraging access to JTPA youth employment programs for troubled youth. BAT is establishing State Steering Committees with representation from the public and private sector to advise on the expansion of apprenticeship programs. In addition, BAT staff are participating in and sponsoring seminars and conferences and working with State and local organizations to promote apprentice training for Indians on reservations, prison inmates, civilian/military personnel, as well as women, minorities and disadvantaged persons. The Bureau of Apprenticeship and Training continues to expand coordination and cooperation with State Apprenticeship Councils and promote and encourage participation of labor and management in developing apprenticeship standards and working agreements.

IMPROVING THE EFFECTIVENESS OF JTPA PROGRAMS

Mr. Early: What changes do you foresee as a means of improving the effectiveness and administration of the ETA programs? 2

Mr. Semerad: In addition to improving coordination and developing more linkages among Employment and Training Administration (ETA) programs with State and local governments, other agencies, and the private sector, the Department plans to take a more active role in providing technical assistance to State and local Job Training Partnership Act (JTPA) programs. The Department will shortly be providing training to States, service delivery areas and other interested parties on the new performance standards and reporting requirements for Program Year 1986. We will also be issuing four Technical Assistance Guides on these subjects.

A number of program reforms in the Job Corps program are intended to reduce total costs and improve effectiveness. The poorer performing, higher cost centers will be closed, with those remaining being geographically distributed to maximize access to disadvantaged youth in need of the program. In addition, a number of innovative pilot and demonstration projects are planned which are designed to improve the success and the cost-effectiveness of the Job Corps program. Efforts will also continue to be directed towards improving the procurement process, refining performance standards for center operators, and strengthening cost controls.

The Bureau of Apprenticeship and Training will continue to expand and improve on collection and dissemination of information on apprenticeship programs to provide improved data for recordkeeping and management purposes.

For nationally administered programs, performance standards are being developed for Indian and Native American and Seasonal Farmworker grantees which will result in greater accountability and enhanced performance after implementation. Training and technical assistance will continue to be provided to these grantees and will be directed to improving fiscal and management systems and service delivery. Improved coordination and linkages between the Senior Community Service Employment Program and the JTPA 3-percent program for older workers will provide better utilization of ETA resources for older workers.

PRIVATE INDUSTRY COUNCILS' PARTICIPATION IN JTPA PROGRAMS

Mr. Early: Has the Department found any evidence that some local PIC members are losing interest in participating in the JTPA programs? 3

Mr. Semerad: On the contrary, the participation and interest of the approximately 9,000 private sector volunteers serving on private industry councils (PIC) and State Job Training Coordinating Councils has continued at a very high level and been a major factor in the success of the Job Training Partnership Act program. While there is a normal turnover of local PIC members due to the fixed and staggered terms of appointment, their vacancies are readily being filled from

other local private sector volunteers.

Mr. Early: Is the involvement and commitment of the local PIC members as strong as was originally anticipated? 4

Mr. Semerad: Yes. Local private industry council (PIC) members continue to be very active in the JTPA partnership. We believe that such active private sector involvement is a major factor in the success of the JTPA program. The relationship between the PICs and other JTPA partners continues to be strong, cooperative and effective.

EXPIRATION OF TRADE ADJUSTMENT ASSISTANCE ACT

Mr. Early: Provide a list of the reductions in the FY 87 request including services, benefits and program administration, which are attributed to the expiration of the Trade Adjustment Act. 5

Mr. Semerad: The following amounts are being used in 1986 which will not be required in FY 1987.

- Training, Job Search and Relocation Assistance - This program is financed at $28,782,000 - $24,482,000 in the Training and Employment Services account for program expenses and $3,900,000 in the State Unemployment Insurance and Employment Service Operations account for State administration.

- The benefits - The current estimate is that $39.9 million will be required in 1986 to pay benefits for weeks of unemployment through December 18, 1985. States will also receive $1.1 million to cover their administrative costs.

- Program Administration - 30 FTE and $2,068,000 are being used in 1986 to Federally administer the Trade Adjustment Act.

VETERANS

Mr. Early: How are you proposing to address the issue of improving the linkages between the Veterans' Employment service providers? Explain your initiatives for FY'86 and FY'87?

Mr. Shasteen: Veterans' employment programs are administered by the Office of the Assistant Secretary for Veterans' Employment and Training under Title IV-C of the Job Training Partnership Act (JTPA). One element of the program design which has been successful in improving linkages between veterans employment service providers is the use of the contribution of a cash match or in-kind services as a funding criterion in the evaluation process. As a result, applicants for Title IV-C funds have leveraged additional resources from Titles II-A and III of JTPA, State and local government agencies, private for profit, as well as non-profit organizations. These agencies include organizations which are both veteran-oriented as well as those which have other target groups as their primary focus.

As a result of this program emphasis, $22.9 million has been leveraged as a match for the $20.6 million awarded through the competitive process over the past three funding cycles.

Mr. Early: Will the increase requested for Veterans' Employment for FY'87 be used to focus on the particular problems of the long-term unemployed veterans, and the target population veterans? What will be done to address the unemployment trends of these veterans?

Mr. Shasteen: Veterans' employment programs are administered by the Office of the Assistant Secretary for Veterans' Employment and Training under Title IV-C of the Job Training Partnership Act (JTPA). As in past years, funds will be available to serve the target population of veterans without further prerequisites for participation imposed at the national level. The grant application instructions emphasize; however, that applicants for the funds may prioritize services based on a local needs assessment to subsets of the eligible groups, such as long-term unemployed veterans, economically disadvantaged veterans, and so forth. It is felt that allowing the local grant recipients to target funds based on their identified needs allows the greatest flexibility for meaningful use of the funds.

TRAINING IN JTPA PROGRAMS

Mr. Dwyer: One problem identified in implementation of the Job Training Partnership Act is the emphasis on quick placement and short-term training. Given the BLS projections of growth in the service sector and the need for broad-based skill development, what are your plans for addressing this problem? 1

Mr. Semerad: The Department's annual Job Training Longitudinal Survey (JTLS) shows that of all terminees served in Title II-A in PY 1984, about two-thirds participated in classroom training, on-the-job training, and work experience activities. These activities generally provide enrollees with specific occupational skill training. Moreover, JTLS data show that the average length of stay for participants in the Title II-A program has increased from 71.4 days during the Transition Period (10/83-6/84), to 96.8 days during Program Year (PY) 1984 (7/84 - 6/85). This may be an indication of a move away from quick placements and turn-around as the programs mature. Additionally, the entered-employment rate for the Secretary's Title II performance standards for PYs 1984 and 1985 has remained the same for PY 1986 and PY 1987, reflecting a deemphasis on quick placements and short-term training.

The Department also allows for adjustment of the performance standards to compensate for participants enrolled in long-term training who might otherwise temporarily lower a program's entered-employment rate.

POST PROGRAM FOLLOW-UP IN JTPA PROGRAMS

Mr. Dwyer: What type of follow-up activities are the Department and the States engaging in to assess whether JTPA participants have been able to find employment in long-term careers? 2

Mr. Semerad: The Department has been considering post-program performance standards regarding long term employment since the inception of JTPA. Additionally, many States have been actively involved with post-program follow-up. A recent National Governors' Association study indicated that "Twenty-eight States (57 percent of those responding) had follow-up systems in place and collecting data. Eleven States (22 percent) have been doing some follow-up since the inception of JTPA or before. Eleven States (22 percent) plan to have such systems by the beginning of PY 1986 (July 1, 1986). Only 7 States (14 percent) indicated that they had no plans for a follow-up system."

The Department published for comments, in January, proposed changes to its JTPA Annual Status Report to include post-program data to be collected for PY 1986, and to be used for a new post-program performance standard for PY 1988. The post-program data in the published proposal to be collected included employment rates, average weekly earnings, and average number of weeks worked.

JTPA LINKAGES

Mr. Dwyer: Your justification indicates a need for improved coordination of various job training efforts. How will the ETA be working to enhance coordination and linkage among the programs with other efforts by Federal agencies, State and local governments and the private sector? 3

Mr. Semerad: A major Department of Labor initiative is to promote linkages among ETA programs and with other organizations. With regard to Employment and Training Administration programs, we plan to take steps to promote Job Corps/JTPA linkages at the local level for referrals of enrollees, placement, work experience and provision of training. For example, a Job Corps center is providing training to displaced workers in advanced automotive repair skills; a JTPA Private Industry Council is providing outreach and screening for Job Corps centers. We are also establishing Job Corps/Senior Community Service Employment Program (SCSEP) linkages. Where feasible SCSEP participants will be placed in part-time jobs at Job Corps centers. Coordination between SCSEP and the Governors' programs for older workers under Section 124 of the JTPA is being strengthened. Bureau of Apprenticeship and Training staff are participating at State and local levels with State Job Training Coordinating Councils, Private Industry Councils, school boards, and other agencies to promote school-to-apprenticeship and apprentice training programs.

Additional linkages with other organizations include plans to develop innovative approaches and implement pilot/demonstration projects for fostering linkages between Job Corps, other Federal agencies, State and local government, and the private sector. Job Corps is working with the Department of the Army in a project designed to identify ways to provide expansion capability to the Army training bases in the event of mobilization -- in this case, through use of selected Job Corps center facilities for provision of training. Under this pilot project, the Army plans to provide specific skills training to reservists at several Job Corps centers this summer. The Clements Job Corps center has been designated to provide training in construction occupations and the Gary Job Corps center in health occupations.

An interagency letter of understanding is encouraging training of Job Training Partnership Act participants for occupations in the Head Start program. Coordination with the Department of Justice's Juvenile Delinquency and Prevention Administration is encouraging access to Job Training Partnership Act youth employment programs for troubled youth. The Bureau of Apprenticeship and Training is establishing State Steering Committees with representation from the public and private sector to advise on the expansion of apprenticeship programs. In addition, Bureau of Apprenticeship and Training staff are participating in and sponsoring seminars and conferences and working with State and local organizations to promote apprentice training for Indians on reservations, prison inmates, civilian/military personnel, as well as women, minorities and disadvantaged persons. The Bureau of Apprenticeship and Training continues to expand coordination and cooperation with State

Revised p. 10.

Apprenticeship Councils and promote and encourage participation of labor and management in developing apprenticeship standards and working agreements.

REEMPLOYMENT DEMONSTRATION PROJECT

Mr. Dwyer: Please provide additional detail on the reemployment demonstration project that would provide assistance to approximately 4,000 workers in New Jersey who were displaced due to changes in market demands for their services. What is the current status of the project and how will the findings be used?

Mr. Semerad: The Unemployment Insurance Reemployment Demonstration project is designed to test whether workers who will exhaust their unemployment insurance benefits and have difficulty finding reemployment can be identified early in their spell of unemployment, and provided with reemployment services which will speed their return to work. The additional services provided will consist of intensive job search assistance, relocation assistance, retraining and a wage subsidy.

At present, the design of the demonstration project is nearing completion with the project to become operational in April 1986. A preliminary evaluation report is due in March 1987, and a final report in September 1988.

The findings of the demonstration project will be used to help shape future Federal policy for providing additional assistance to displaced workers early in their spells of unemployment. The project will provide some of the answers to the questions of whether such additional services should be offered and, if so, how. Additional information gathered from the other demonstration funded projects as part of the President's FY 1987 budget will also be used for this purpose.

JOB CORPS

Mr. Hoyer: Concerning the return on our money, many suggest that for every Federal dollar invested that the Job Corps program returns $1.45. Do you agree with that statistic? 4

Mr. Semerad: We are aware of the study of the Job Corps program by Mathematica Policy Research, Inc. which cites a benefit-cost ratio of $1.45 for every Federal dollar invested. We have reviewed this study from a technical standpoint, and believe that the work is of high quality and the basic assumptions are valid. Nevertheless, the state of evaluation art is such that the figure quoted is simply a positive indicator; it is not a precise conclusion in terms of results. While we do believe that it is a very positive indicator of outcomes and recognize that the Job Corps is a worthwhile program, this does not alleviate concerns about the Federal investment required to cover the high operating cost of the program.

Mr. Hoyer: Concerning the capital needs of the 107 centers, I believe that two years ago Congress wanted to provide a substantial amount of money for capital costs. $50 million I believe. The Administration suggested that the money was not needed. $21.7 million was eventually appropriated in a Supplemental Bill. This year, one reason for your phase down proposal is the cost of renovation. How much will it cost? Approximately $160 million over 5 years? 5

Mr. Semerad: Based on the most recent facility surveys that have been conducted at Job Corps centers, the total funding requirement for construction and rehabilitation over the next five years would be approximately $160 million.

Mr. Hoyer: Considering the fact that we're talking about approximately 2,000 buildings, isn't this a modest investment? 5a

Mr. Semerad: Approximately $160 million over 5 years is an annual outlay of $30 - $35 million for the construction and rehabilitation. This equals about 3.0 percent to 3.5 percent of the estimated $1 billion replacement value of current Job Corps facilities.

PILOTS AND DEMONSTRATIONS

Mr. Hoyer: Last year, the Administration proposed to almost totally eliminate the Pilots and Demonstrations account. This year you've requested a $20 million dollar increase. Why is that? 6

Mr. Semerad: Secretary Brock recognizes the Pilots and Demonstrations (P&D) account as a valuable tool with which to examine and address issues requiring national attention and coordination, and as an important resource for experimentation and innovation. The current P&D budget can only support our ongoing partnership, handicapped and national training contracts. The enhancement is necessary to support experimentation and innovation, a necessary Federal role in the Job Training Partnership Act partnership.

Mr. Hoyer: How will the FY '87 Budget for this account affect the 70,001 Ltd. program? 7

Mr. Semerad: The FY '87 Budget will not affect the 70,001 Ltd. program. It will continue to be funded at its current annual level of $1,248,000.

RESEARCH AND EVALUATION

Mr. Hoyer: Also, your budget has a $10.6 million increase for JTPA Research and Evaluation (R&E) and $10 million for a research and demonstration project within the U.I. program. How many other research projects will be conducted by ETA during FY '87 and what is their costs? 8

Mr. Semerad: The $10.6 million increase for Research and Evaluation would be on top of a 1986 base of $14.6 million which represents the appropriated amount less the Gramm-Rudman-Hollings reduction. The UI demonstration project is conducted with program administration funds. The $10 million would be a one-time addition to the 1986 base of $3.2 million. There are no other fund sources for research projects within the Employment and Training Administration.

Mr. Hoyer: And finally, at a time when money is tight, does it make sense to invest this much in research projects? 9

Mr. Semerad: These severe budget stringencies only heighten the relative importance of investing in practical research and evaluation efforts. This is so we can test both existing and innovative methods of service delivery in order to improve effectiveness and increase the yield from Job Training Partnership Act programs. A well-planned research and evaluation program is a vital tool in this effort.

OPENING STATEMENT BY MR. YOUNG

Mr. Chairman, I want to commend the Administration and the Department of Labor for including in their Fiscal Year 1987 budget request $326 million to fully fund the Senior Community Service Employment Program. With the leadership of our Chairman, Mr. Natcher, and our Ranking Minority Member, Mr. Conte, we were successful in saving this program several times in the past 10 years when it was faced with elimination.

As my colleagues on the subcommittee would attest, the success of this program speaks for itself. Since its inception under Title V of the Older Americans Act, the Senior Community Service Employment Program has provided older Americans with a source of employment in positions where they can proudly contribute to our communities. The program also enables many workers, who have been out of the workforce for short or long periods of time, to learn new skills, polish existing skills, and regain confidence in their abilities. The end result is that many participants are placed in jobs outside the program.

My files are full of cards, letters, and telephone messages from employers attesting to the value of this program. There is no part of our country that better demonstrates its value than Pinellas County, Florida, where 237 employees contribute to our community through their work in schools, hospitals, senior citizen centers, and libraries. Private businessmen also have written to tell me how they have hired former senior community service workers and how they have become important assets to their businesses.

I feel strongly about the value of this program because through it we provide an opportunity for many older Americans to return to the work force. As a result, they again become proud, taxpaying citizens who contribute to our communities and our economy.

SENIOR COMMUNITY SERVICE EMPLOYMENT PROGRAM

Mr. Young: The American Association of Retired Persons, the contractor for our program in Florida, employs 3,500 workers and has a placement rate of almost 50 percent for program participants who find work in the private sector. It's my understanding that this is more than double the national placement average. How does Florida's rate compare with other national program sponsors?

Mr. Semerad: The American Association of Retired Persons (AARP) is one of the national Senior Community Service Employment Program (SCSEP) sponsors in Florida. The AARP projects in Pinellas Park and St. Petersburg have rates of 49.7 percent and 24.4 percent respectively. In the aggregate, Florida sponsors have a placement rate of 35.6 percent, which is among the highest in the nation. For the last complete grant period, AARP had a national rate of 45.4 percent. The other sponsors had national rates ranging from 13 percent to 31 percent.

Mr. Young: I would also like to inquire about the waiting lists for this program. It's my understanding that under guidelines for the program, local sponsors must maintain a 25 percent waiting list. In the case of Pinellas County, the waiting list is at times almost 50 percent. How does this compare with other waiting lists from around the country?

Mr. Semerad: There is no regulatory requirement that sponsors must maintain waiting lists. Consequently, the waiting list procedures among sponsors varies greatly.

59-364 O - 86 - 34

EMPLOYMENT AND TRAINING ADMINISTRATION

PROGRAM ADMINISTRATION

	Page No.
Appropriation language	1
Analysis of appropriation language	2
Amounts available for obligation	3
Summary of changes	4
Budget Authority by activity	8
Budget Authority by object	9
Significant items in FY 1986 House and Senate Appropriations Committees Reports	10
Authorizing legislation	11
Appropriation history	12
Justification:	
Appropriation	13
General statement	14
Activities:	
Job training programs	15
Employment security	20
Financial control and management systems	27
Executive direction and administration	33
Regional operations	38
Apprenticeship services	43
Advisory and assistance services	46
Detail of permanent positions	47

EMPLOYMENT AND TRAINING ADMINISTRATION

PROGRAM ADMINISTRATION

For expenses of administering employment and training programs, [$68,155,000] *$62,959,000*, together with not to exceed [$42,666,000] *$49,783,000* which may be expended from the Employment Security Administration account in the Unemployment Trust Fund. (*Department of Labor Appropriation Act, 1988*).

PA-2

ANALYSIS OF APPROPRIATION LANGUAGE

"...together with not to exceed [$42,666,000] *$49,783,000* which may be expended from the Employment Security Administration account in the Unemployment Trust Fund"	As specified by Title IX, Section 906 (b) of the Social Security Act, the Secretary of Labor shall maintain programs for the continuation of the comprehensive research program relating to the unemployment compensation system. Under current law, up to $8,000,000 may be appropriated for this research program. The 1987 request exceeds this limitation by $2,570,000.

PA-3

AMOUNTS AVAILABLE FOR OBLIGATION

	1985		1986		1987	
	FTE	Amount	FTE	Amount	FTE	Amount
Appropriation	1,088	$67,625,000	1,096	$68,155,000	1,006	$62,959,000
Sequestered under P.L. 99-177	--	---	--	-2,930,000	--	---
Revised Appropriation	1,088	67,625,000	1,096	65,225,000	1,006	62,959,000
A. Subtotal, appropriation	1,088	67,625,000	1,096	65,225,000	1,006	62,959,000
Comparative transfer to: Departmental Management	--	---	-3	-147,000	--	---
Comparative transfer from: Health and Human Services, Work Incentives	+60	+3,770,000	+60	+3,427,000	--	---
Subtotal, appropriation (adjusted)	1,148	71,395,000	1,153	68,505,000	1,006	62,959,000
Offsetting collections from: Trust fund limitation	659	45,200,000	664	42,666,000	653	49,763,000
Sequestered under P.L. 99-177	--	---	--	-1,834,000	--	---
Comparative transfer to: Departmental Management	--	---	-2	-115,000	--	---
Subtotal, trust fund limitation (adjusted)	659	45,200,000	662	40,717,000	653	49,763,000
Balance returned to: Health and Human Services, Work Incentives	--	---	(-11)	-429,000[1/]	--	---
FTE Lapsing	--	---	-52	---	--	---
Unobligated balance lapsing due to Section 515 withholdings	--	---	--	-26,000	--	---
B. Total Available Budget Authority	1,807	116,595,000	1,763	108,767,000	1,659	112,722,000
Unobligated balance lapsing	-77	-5,636,000	--	---	--	---
C. Total, estimated obligations	1,730	110,959,000	1,763	108,767,000	1,659	112,722,000

1/ Due to the proposed phaseout of the Work Incentives program (WIN) during 1986, it is anticipated that $429,000 of the $3,427,000 available for WIN staffing will not be required. This will result in 11 FTE lapsing.

PA-4

SUMMARY OF CHANGES

	1986	1987	Net Change
Budget Authority:			
General Funds	$68,050,000	$62,959,000	-$5,091,000
Trust Funds	40,717,000	49,763,000	+9,046,000
Total	108,767,000	112,722,000	+3,955,000
Full-Time Equivalent:			
General Funds	1,101	1,006	-95
Trust Funds	662	653	-9
Total	1,763	1,659	-104

	Trust Funds		General Funds		Total	
	FTE	Amount	FTE	Amount	FTE	Amount
Explanation of Change:						
Increases:						
A. Built In:						
Net Cost of within-grade promotions effective in 1986 and 1987	--	+$137,000	--	+$221,000	--	+$358,000
To provide for increased cost of merit pay	--	+94,000	--	+153,000	--	+247,000
To provide for increased non-personnel service costs:						
Travel	--	+53,000	--	+84,000	--	+137,000
Space rental	--	+665,000	--	+405,000	--	+1,070,000
Communications	--	+6,000	--	+23,000	--	+29,000
Administrative support services (WCF)	--	+143,000	--	+86,000	--	+229,000
Printing	--	+3,000	--	+9,000	--	+12,000
Other services	--	+80,000	--	+144,000	--	+224,000
UI research and training contractual services	--	+152,000	--	---	--	+152,000
ADP	--	+99,000		+141,000	--	+240,000
Supplies	--	+3,000	--	+9,000	--	+12,000
Equipment	--	+33,000	--	+52,000	--	+85,000

PA-5

Transportation.....	--	+2,000	--	+2,000	--	+4,000
To provide for career ladder promotions.....	--	+56,000	--	+82,000	--	+138,000
To provide for increased costs in contributions to Federal Employees' Compensation fund...	--	+16,000	--	---	--	+16,000
Annualization of personnel funded part-year in 1986.....	+29	+856,000	+16	+1,579,000	+45	+2,435,000
Subtotal.....	+29	+2,398,000	+16	+2,990,000	+45	+5,388,000
B. Program:						
To provide full year costs for UI Quality control travel (1986 Base: FTE -- ; Budget Authority $780,000).....	--	+205,000	--	---	--	+205,000
To provide for an increase in UI Research and Training funds for the continuation and expansion of re-employment demonstration pilots (1986 Base; FTE -- ; Budget Authority $3,239,000).....	--	+10,000,000	--	---	--	+10,000,000
Subtotal.....	--	+10,205,000	--	---	--	+10,205,000
Total Increase.....	+29	+12,603,000	+16	+2,990,000	+45	+15,593,000
Decreases:						
A. Built In:						
Non-recurring costs:						
ADP.....	--	-352,000	--	-500,000	--	-852,000
Benefits to former personnel.....	--	-43,000	--	-68,000	--	-111,000
Frances Perkins Building move.....	--	-273,000	--	-727,000	--	-1,000,000
Regional space consolidation.....	--	-221,000	--	-1,267,000	--	-1,488,000

PA-6

Staff costs relating to the WIN program phaseout during 1986.....	--	---	-33	-2,123,000	-33	-2,123,000
To provide for the expiration of Trade Adjustment Assistance Activities.....	-30	-2,068,000	--	---	-30	-2,068,000
To provide for decreased costs in contributions to Federal Employees' Compensation fund...	--	---	--	-77,000	--	-77,000
Subtotal.....	-30	-2,957,000	-33	-4,762,000	-63	-7,719,000
B. Program:						
Savings in space rental due to space consolidation (1986 Base: FTE -- ; Budget Authority $7,428,000).....	--	-385,000	--	-571,000	--	-956,000
Savings related to Job Corps capacity reduction (1986 Base: FTE 201; Budget Authority $11,835,000).....	--	---	-40	-1,324,000	-40	-1,324,000
To provide for the reduction of staff costs relating to WIN program close-out activities (1986 Base: FTE 16; Budget Authority $931,000).....	--	---	-12	-711,000	-12	-711,000
Savings in regional monitoring and oversight activities (1986 Base: FTE 597; Budget Authority $34,626,000).....	--	---	-14	-490,000	-14	-490,000
Savings achieved thru Productivity Improvements (1986 Base: FTE 1,745; Budget Authority $106,436,000).....	-8	-215,000	-12	-223,000	-20	-438,000

Subtotal.....	-8	-600,000	-78	-3,319,000	-86	-3,919,000
Total Decrease.....	-38	-3,557,000	-111	-8,081,000	-149	-11,638,000
Total Change.....	-9	+9,046,000	-95	-5,091,000	-104	+3,955,000

BUDGET AUTHORITY BY ACTIVITY

	1985 Comparable FTE	1985 Comparable Amount	1986 Appropriation FTE	1986 Appropriation Amount	1986 Estimate 1/ FTE	1986 Estimate 1/ Amount	1987 Estimate FTE	1987 Estimate Amount	Change FTE	Change Amount
Budget Authority applied to General Funds:										
1. Job training programs	139	$7,916,000	138	$7,866,000	134	$7,528,000	136	$7,871,000	+2	+343,000
2. Employment security	29	1,908,000	18	425,000	29	1,306,000	18	686,000	-11	-620,000
3. Financial control and management systems	188	16,838,000	190	16,512,000	185	16,026,000	181	14,577,000	-3	-1,449,000
4. Executive direction and administration	52	2,949,000	55	3,192,000	52	3,045,000	52	3,188,000	--	+143,000
5. Regional operations	490	29,229,000	439	27,293,000	453	27,885,000	366	23,608,000	-87	-4,277,000
6. Apprenticeship services	250	12,555,000	256	12,867,000	249	12,260,000	253	13,029,000	+4	+769,000
Subtotal	1,148	71,395,000	1,096	68,155,000	1,101	68,050,000	1,006	62,959,000	-95	-5,091,000
Budget Authority applied to Trust Funds:										
2. Employment security	209	16,200,000	193	15,498,000	192	14,780,000	164	23,944,000	-28	+9,164,000
3. Financial control and management systems	120	9,748,000	124	8,902,000	124	8,497,000	125	8,063,000	+1	-434,000
4. Executive direction and administration	46	2,800,000	45	2,465,000	45	2,359,000	46	2,475,000	+1	+116,000
5. Regional operations	284	16,452,000	302	15,801,000	301	15,081,000	318	15,281,000	+17	+200,000
Subtotal	659	45,200,000	664	42,666,000	662	40,717,000	653	49,763,000	-9	+9,046,000
Total Budget Authority by Activity:										
1. Job training programs	139	7,916,000	138	7,866,000	134	7,528,000	136	7,871,000	+2	+343,000
2. Employment security	238	18,108,000	211	15,923,00	221	16,086,000	182	24,630,000	-39	+8,544,000
3. Financial control and management systems	308	26,586,000	314	25,414,000	308	24,523,000	306	22,640,000	-2	-1,883,000
4. Executive direction and administration	98	5,749,000	100	5,657,000	97	5,404,000	98	5,663,000	+1	+259,000
5. Regional operations	774	45,681,000	741	43,094,000	754	42,966,000	684	38,889,000	-70	-4,077,000
6. Apprenticeship services	250	12,555,000	256	12,867,000	249	12,260,000	253	13,029,000	+4	+769,000
Total Budget Authority	1,807	116,595,000	1,760	110,821,000	1,763	108,767,000	1,659	112,722,000	-104	+3,955,000

1/ Included in 1986 Estimate above:

Sequestered under P.L. 99-177	-$4,764,000	and -0-	FTE
Withdrawal pursuant to P.L. 99-190	-$ 26,000	and -0-	FTE
Comparative transfer from Health and Human Services, Work Incentives (WIN)	+$2,998,000	and +49	FTE
Comparative transfer to Departmental Management	-$ 262,000	and -5	FTE
FTE lapsing	$ -0-	and -41	FTE

PA-9

BUDGET AUTHORITY BY OBJECT

	1985 Comparable	1986 Estimate	1987 Estimate
Total number of full-time permanent positions	1,886	1,779	1,654
Full-time equivalent:			
Full-time in permanent positions	1,807	1,763	1,659
Other positions	--	--	--
Total	1,807	1,763	1,659
Average ES salary	$65,026	$68,368	$68,368
Average GM/GS grade	10.87	10.71	10.71
Average GM/GS salary	$36,145	$35,563	$36,125
Personnel Compensation:			
Permanent Positions	$66,633,000	$64,282,000	$61,493,000
Positions other than permanent	---	---	---
Other personnel compensation	646,000	659,000	559,000
Subtotal, personnel compensation	67,279,000	64,941,000	62,052,000
Personnel benefits	8,455,000	8,195,000	8,178,000
Benefits for former personnel	1,610,000	111,000	---
Travel and transportation of persons	4,104,000	3,358,000	3,550,000
Transportation of things	291,000	119,000	159,000
Space Rental	7,964,000	7,013,000	6,334,000
Communications, utilities, and other rent	2,718,000	2,224,000	2,303,000
Printing and reproduction	557,000	308,000	275,000
Other services	21,078,000	19,963,000	27,888,000
Supplies and materials	455,000	443,000	444,000
Equipment	2,082,000	2,090,000	1,537,000
Insurance claims and indemnities	2,000	2,000	2,000
Total, budget authority by object	116,595,000	108,767,000	112,722,000
Working Capital Fund obligations included above	($8,137,000)	($7,393,000)	($7,389,000)
Advisory and Assistance Services included above	($380,000)	($232,000)	($211,000)

PA-10

SIGNIFICANT ITEMS IN 1986
HOUSE AND SENATE APPROPRIATIONS COMMITTEES REPORTS

Item	Action Taken or to Be Taken
1986 House Report (No. 99-289)	
No specific actions recommended.	
1986 Senate Report (No. 99-151)	
Staffing-Trade	
"The Committee expects the Department to monitor current Trade Act program activities without disruption until such time as action is completed on renewed authorization and subsequent appropriations."	The Department's Office of Trade Adjustment Assistance is continuing to accept petitions from worker groups. State employment security agencies have been instructed to continue informing workers eligible for adjustment assistance of reemployment services currently available under the continuing resolution; and to assist worker groups who need help in filing petitions for adjustment assistance following existing procedures; approve training, job search and relocation services for those workers who apply. While State agencies cannot pay trade readjustment allowances, they have been advised to accept worker claims for weeks subsequent to the week of December 19, 1985, but to hold them for the present.
1986 Conference Report (No. 99-402)	
No specific actions recommended.	

AUTHORIZING LEGISLATION

Legislation	Budget Request 1986	Budget Request 1987
Authorizing legislation containing indefinite authority		
Job Training Partnership Act (29 U.S.C. 1501 et.seq.)	$48,535,000	$45,620,000
Older Americans Act of 1965, as amended (42 U.S.C. 3001 et. seq.)	331,000	346,000
National Apprenticeship Act of 1937 (29 U.S.C. 50)	12,260,000	13,029,000
Trade Act of 1974, as amended (19 U.S.C. 2271-2321)	2,068,000	--
Immigration and Nationality Act (8 U.S.C. 1184)	3,483,000	3,297,000
Wagner-Peyser Act of 1933, as amended (29 U.S.C. 49-491-1)	11,828,000	12,007,000
Title III of the Social Security Act of 1935, as amended (42 U.S.C. 502-504)	27,264,000	38,203,000
Title IV of the Social Security Act of 1935, as amended (42 U.S.C. 632)	2,998,000	220,000

PA-12

APPROPRIATION HISTORY

	Budget Estimates to Congress	House Allowance	Senate Allowance	Appropriation 1/
1977.....	$100,867,000	$105,158,000	$105,158,000	$105,158,000
1978.....	125,301,000	124,466,000	124,466,000	124,466,000
1979.....	127,676,000	2/	2/	124,011,000 3/
1980.....	120,051,000	119,341,000	120,051,000	122,746,000 3/
1981.....	123,977,000	123,977,000	2/	130,466,000
1982.....	112,706,000	144,464,000	129,912,000	124,270,000 3/
1983.....	122,535,000	120,903,000	120,903,000	127,970,000
1984.....	123,038,000	121,144,000	118,968,000	118,567,000
1985.....	109,039,000	114,819,000	111,122,000	116,850,000
1986 4/.....	105,289,000	110,598,000	110,821,000	113,531,000
Sequestered under P.L. 99-177.....				4,764,000
1987.....	112,722,000			

1/ Reflects comparative transfers.
2/ Not Considered.
3/ Continuing Resolution.
4/ Does not include reductions pursuant to P.L. 99-177.

PA-13

EMPLOYMENT AND TRAINING ADMINISTRATION

SALARIES AND EXPENSES

JUSTIFICATION

	1985 Comparable		1986 Appropriation		1986 Estimate		1987 Estimate		Increase or Decrease	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
Job training programs.....	139	$7,916,000	138	$7,866,000	134	$7,528,000	136	$7,871,000	+2	+$343,000
Employment security.....	238	18,108,000	211	15,922,000	221	16,086,000	182	24,630,000	-39	+8,544,000
Financial control and management systems.....	308	26,586,000	314	25,414,000	308	24,523,000	306	22,640,000	-2	-1,883,000
Executive direction and administration.....	98	5,749,000	100	5,657,000	97	5,404,000	98	5,663,000	+1	+259,000
Regional operations.....	774	45,681,000	741	43,094,000	754	42,966,000	684	38,889,000	-70	-4,077,000
Apprenticeship services.....	250	12,555,000	256	12,867,000	249	12,260,000	253	13,029,000	+4	+769,000
Total Budget Authority....	1,807	116,595,000	1,760	110,821,000	1,763	108,767,000 1/	1,659	112,722,000	-104	+3,955,000

1/ Included in 1986 Estimate above:

Sequestered under P.L. 99-177..... -$4,764,000 and -0- FTE.

Withdrawal pursuant to P.L. 99-190..... -$26,000 and -0- FTE.

Comparative transfer from Health and Human Services (WIN)..... +$2,998,000 and +49 FTE.

Comparative transfer to Departmental Management..... -$262,000 and -5 FTE.

FTE lapsing..... $0 and -41 FTE.

PA-14

General Statement

This budget request provides for the Federal administration of all Employment and Training Administration programs.

The appropriation contains both general revenues and trust funds. The general revenue portion of the appropriation request provides for the Federal staff costs of the Employment and Training Administration for the direction and operation of training and employment programs authorized under the Job Training Partnership Act (JTPA), Older Americans Act of 1965, and in 1987, Title IV of the Social Security Act of 1985, as amended (WIN). The Unemployment Trust Fund provides for Federal staff costs for activities related to the Federal administration of employment security functions under Title III of the Social Security Act of 1935, as amended, and the Immigration and Nationality Act. Federal staff costs for activities related to employment service functions under the Wagner-Peyser Act, as amended, are split, 97 percent to three percent respectively, between unemployment trust funds and general revenues. For the purpose of this budget, the administrative costs of the Federal Work Incentives Program (WIN) are comparatively transferred to this account in 1985 and 1986.

During 1985, major priorities included the institutionalization of JTPA and improving the integrity of the Unemployment Insurance System (UIS). Significant progress was also made in completing the financial and administrative closeout of 94.7 percent of the CETA program. The institutionalization of JTPA focused on systems monitoring and general oversight to assure adherence to Federal oversight responsibilities. UIS continued its efforts to improve the integrity and financial stability of the Unemployment Insurance System. UIS completed the initial design of a quality control system for assessing the accuracy of unemployment insurance benefit payments, and initiated a multi-year project to explore alternative strategies and approaches to expedite the return of the potentially long-term unemployed to productive work. The agency continued its oversight of programs designed to meet the training and employment needs of economically disadvantaged youth, adults, and dislocated workers as well as programs for specific population segments experiencing unique problems. The Bureau of Apprenticeship and Training (BAT) continued to promote the development of apprenticeship programs. ETA also made efforts to increase its effectiveness in the areas of debt collection, audit resolution, and internal control. Procedures were developed for the referral of administratively uncollectable debts to the Department of Justice for enforced collection.

During 1986, ETA is beginning a major effort to increase the effectiveness of its training and employment programs in improving the economic opportunity of workers, especially youth and dislocated workers. Current program design, administrative practices, and operations are being reviewed to identify changes that may be necessary or desirable. In addition, enhanced coordination and linkages among ETA programs and with other Federal agency, State and local government, and private sector efforts are being sought.

Effective program oversight, implementation of the Unemployment Insurance Quality Control (QC) program, and improved productivity through office automation will continue to be major priority areas. Job Corps staff will place major emphasis on developing and implementing a capacity reduction plan of the Job Corps program, consistent with the Administration's proposal to reduce the size of the program. The WIN program will be phased out by the end of 1986, although closeout activities will extend part-year into 1987. The weekly benefit provisions of the Trade Act expired December 19, 1985. The job search, relocation, and training allowance provisions will continue under the continuing resolution through September 30, 1986.

assistance to JTPA and State Employment Security Agency (SESA) grantees will continue. In the area of Information Resources Management, this request continues the performance maintenance assumption of 1986.

During 1987, staffing will decrease by 125 on board staff to an end-of-year employment of 1,623, and FTE will decrease by 104 to a level of 1,662 (all sources of funds). Although these reductions primarily reflect reduced staffing for Job Corps and the elimination of Trade and WIN staffing, all reductions will occur by attrition, and staff will be reassigned to other ETA vacancies when workload related to these programs ceases or is reduced.

PA-16

Job Training Programs

1985 Comparable		1986 Appropriation		1986 Estimate		1987 Estimate		Increase or Decrease	
FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
139	$7,916,000	138	$7,866,000	134	$7,528,000 1/	136	$7,871,000	+2	+$343,000

1/ Included in 1986 Estimate above:
Sequestered under P.L. 99-177..... -$338,000 and -0- FTE.
FTE lapsing..... -$0 and -4 FTE.

Introduction

Federal funds provide salaries and expenses for National Office staff in the Office of Employment and Training Programs (OETP), Office of Special Targeted Programs (OSTP), and Office of Job Corps. These offices provide overall direction, guidance, oversight, and administration for a decentralized system of block grants to States for comprehensive job training, summer youth employment, dislocated worker programs, the Jobs Corps youth training program, and services to special target groups.

The OETP staff develop the overall program direction, objectives, and strategies for the nationwide operation of training and employment programs. These activities include developing and promulgating regulations and standards for program implementation by State grantees, designing and providing planning guidance, program techniques and materials, and assessing program performance. Staff assess program performance, [illegible] agencies, labor-management [illegible] discretionary [illegible] programs [illegible] assistance and training.

[illegible] and administer training and employment related [illegible] of the population with particularly severe [illegible] barriers, including Indians and other Native Americans, [illegible] workers, and older Americans.

[illegible] provides for the development and direct Federal administration of a residential training program to increase the employability of disadvantaged unemployed youth ages 16 to 21.

1987 Budget Request

OETP will focus upon handling dislocated worker proposals and in assuring proper administration of the JTPA system by the States. An increased workload is anticipated with respect to Title III activities because of increased budget requests for discretionary funds requiring distribution on a project-by-project basis. Formerly, three-fourths of Title III funds were distributed by formula to the States. Special attention will be paid to providing services to economically disadvantaged youth, under the block grant, and trade-impacted workers, under Title III. Staff efforts will also be devoted to program proposals for the summer youth training and employment program to enhance program experience and to target available resources to these areas most in need of programs.

OSTP will continue [illegible] American, farmworkers [illegible] responsibilities [illegible] JTPA regulations.

funded out of [illegible] aimed at assisting trade-impacted dislocated workers. The number of proposals is expected to increase with the requested increase in Title III discretionary funding. Reviews and comments on regional monitoring reports of both Title III discretionary programs and the State administration of the basic system will continue, as will management of the technical assistance and training system. Technical assistance and training efforts will focus on increased services to youth and other program refinements rather than program implementation, the subject of past efforts. Increased emphasis will be placed on improving linkages with other federal programs, especially DOL programs, to both improve program results and lower overall costs. Financial and programmatic analysis of JTPA operations will be conducted and reports will be prepared and forwarded to appropriate parties. OETP will conduct JTPA Round Table and Public Interest Groups meetings and participate in other training and employment forums. OETP will also administer the review and approval of Statewide Job Training plans, handle any appeals of Service Delivery Area (SDA) designation and local Job Training plan appeals, and review the Governor's Coordination and Special Service Plans.

OSTP will be extensively involved in the oversight of the 330 grants it directly administers. The master planning system and the comprehensive annual planning system will be monitored and improved as necessary. Compliance monitoring activities will continue. Comprehensive technical assistance and training activities for grantees will continue to be emphasized. Performance standards will continue to be refined and overall performance results analyzed. New regulations for the Senior Community Service Employment Program will be implemented, and grantee staff trained. Special efforts will focus on coordination between JTPA II-A program operators and OSTP grantees.

The National Office of Job Corps will place major emphasis on developing and implementing a plan for phasing down the Job Corps program from its current enrollment capacity of 40,500 to a new capacity of 22,000 full-time training positions. It is anticipated that this capacity reduction will be achieved by closing the most costly and inefficient of the 107 Job Corps centers that are now in place. These closings will be staggered over a period of several months, beginning in July 1986, to ensure the [illegible] closing centers to those continuing [illegible] initiatives, [illegible] linkages will be [illegible] design refinements to [illegible]

PA-18

1985

During 1985, OETP reviewed over 170 proposals for Title III discretionary dislocated worker funds. Financial and programmatic data for JTPA from various services were reviewed and analyzed. Overall guidance on the basic JTPA system was provided and responses to issues raised by the system were prepared. Revisions to the compliance guides, used by regional staff in reviewing state administration of the JTPA system, were made. OETP handled reviews of statewide Job Training Plans, the Governor's Coordination and Special Service Delivery Area appeals and local Job Training Plan appeals. Special efforts were also undertaken to serve youth, dislocated steel and copper workers, and workers in the footwear industry.

OSTP directly administered 330 grants in 1985. In addition, OSTP completed the following initiatives during this period:

- o New designation and grant processing procedures were utilized;
- o A new master planning system was implemented, including the training of OSTP and grantee staffs;
- o A comprehensive technical assistance and training plan for grantees for financial management and management information systems was developed and implemented;
- o The three-year trial of the performance standards system for Native American and farmworker programs ended, and the system became operational;
- o In conjunction with OFCMS, the Electronic Fund Transfer System for all OSTP programs was implemented; and
- o New regulations were proposed and published for the Senior Community Service Employment Program authorized by Title V of the Older Americans Act.

The National Office of Job Corps continued work on major initiatives begun in 1984. Procurement technical assistance materials were updated to incorporate requirements of the Competition in Contracting Act and the Federal Acquisition Regulations; a pilot project for computer assisted instruction was implemented; center vocational offerings were improved; and the pilot project for 22-24 year olds was continued.

Changes for 1987

Activity Changes:

Built-In:	
Within-grade promotions	$27,000
Merit pay	19,000
Career ladder promotions	10,000
Federal Employees Compensation	-53,000
Travel	10,000
GSA space rental	104,000
Communications	7,000
Administrative support services (WCF)	17,000
Printing	1,000
Other services	17,000
Supplies	1,000
Equipment	4,000
Annualization of personnel funded part-year in 1986	268,000
Non-recurring costs for benefits to former personnel	-8,000

Total Built-in	424,000
FTE	5
Net Program	-81,000
FTE	-3

Productivity Savings

Proposal: To provide a decrease of two FTE and the related costs.

Rationale: Improved productivity and savings generated through management actions allow for the decrease without affecting program operations.

Program Effects: The effect of this reduction will be to reduce support activities, but will not affect basic program operations.

Base:
FTE: 139 Estimate: $7,952,000

Program Decrease:
FTE: -2 Estimate: -$35,000

Office Space Reduction

Proposal: To reduce office space and thereby realize savings in the space rental costs.

Rationale: The reduction in office space is reflective of DOL's goal to reduce office space usage per person.

Program Effects: There are no program effects related to office space reductions.

Base:
FTE: -0- Estimate: $558,000

Program Decrease:
FTE: -0- Estimate: -$23,000

Job Corps

Proposal: To reduce funding and one FTE related to the Job Corps program, consistent with the Administration's proposal to reduce the size of the program.

Rationale: The Administration proposes to phase-down the Job Corps program from the current enrollment capacity of 40,500 to 22,000 full-time training positions. Staffing and resources for the Job Corps program are reduced consistent with the proposed program reduction.

Program Effects: None. National Office oversight will continue at previous levels for the centers continuing operation.

Base:
FTE: 201 Estimate: $11,835,000

Program Decrease:
FTE: -1 Estimate: -$23,000

PA-20

Employment Security

1985 Comparable		1986 Appropriation		1986 Estimate		1987 Estimate		Increase or Decrease	
FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
238	$18,108,000	211	$15,923,000	221	$16,086,000 1/	182	$24,630,000	-39	+$8,544,000

1/ Included in 1986 Estimate above:

Sequestered under P.L. 99-177	-$684,000	and	-0- FTE.
Withdrawal pursuant to P.L. 99-190	-$14,000	and	-0- FTE.
Comparative transfer from Health and Human Services (WIN)	+$913,000	and	+16 FTE.
Comparative transfer to Departmental Management	-$52,000	and	-1 FTE.
FTE reduction	-$0	and	-5 FTE.

Introduction

The Employment Security budget activity includes three major ETA components: the United States Employment Service (USES), the Unemployment Insurance Service (UIS), and the Office of Trade Adjustment Assistance (OTAA). Federal staff costs for Employment Service activities under the Wagner-Peyser Act are divided between unemployment trust funds and general revenues, 97 percent and 3 percent respectively.

USES provides leadership, policy guidance, technical assistance and Training, and Federal oversight for the administration and operation of the national public employment service system carried out under joint agreements between the Department of Labor and each State. Federal responsibilities focus on the establishment of broad policy direction through regulations, reviewing the administration of the Wagner-Peyser program and other legislated mandates, and establishment of performance standards to promote effective utilization of the Wagner-Peyser Act and other appropriate resources. USES responsibilities also include the negotiation and monitoring of separate agreements with the States for non Wagner-Peyser activities such as the Targeted Job Tax Credit program, which expired December 31, 1985, the labor certification program, housing inspection activities, labor market information, and the Work Incentive Program (WIN).

Under the Federal-State unemployment insurance system, the Federal partner (UIS) provides overall leadership in the administration of unemployment compensation programs. Major responsibilities include: setting overall policy for administration of the program; promoting efficient and effective methods of administration; determining administrative fund requirements; reviewing State legislation, regulations, and procedures to ensure conformity with Federal law; establishing performance criteria; and monitoring State performance.

OTAA is responsible for providing overall operating and administrative direction for the trade adjustment assistance (TAA) program. This includes responsibility for conducting factfinding investigations on worker petitions to substantiate that increased import of articles, like or directly competitive with those produced by the workers firms, have contributed importantly to decreased sales or production and to worker separations. Certifications issued to worker groups which satisfy the workers eligibility requirements under the Trade Act of 1974 document their eligibility to cash benefits and reemployment services,

including training, job search assistance and relocation allowances. The TAA program expired December 19, 1985. The continuing resolution continued job search, relocation, and training through September 30, 1986. State Employment Security Agencies (SESA's) serve as the agent of the Secretary of Labor in administering the benefit and training provisions of the trade adjustment assistance program.

1987 Budget Request

U.S. Employment Service

Staff levels will be maintained to support the varied USES program and oversight responsibilities. Program responsibilities include the Labor Market Information Labor Surplus Areas and High Unemployment Areas listings, alien labor certification and housing inspections activities, national job bank capabilities, State labor market information programs, occupational analysis and the related Dictionary of Occupational Titles, and test development activities. Program monitoring and Federal oversight for these activities, as well as the basic labor exchange functions under the Wagner-Peyser Act, as amended, will continue. Functional areas to be maintained include program policy guidance, reimbursement and grant management, and fiscal planning and monitoring.

Unemployment Insurance Service

UIS will continue the development, implementation, and refinement of those initiatives critical to the goal of improving trust fund solvency and reducing unnecessary outlays through improved program management and integrity. UIS will also provide assistance to Regional Offices to assure continued compliance by the SESAs, with all mandated legal and performance requirements of the UI program.

Major staff emphasis will also be placed on the continuation and expansion of reemployment demonstration pilots aimed at expediting the return of long-term unemployed UI beneficiaries to work. Program changes/legislative proposals warranted by the results of the reemployment demonstration project initiated in 1985 or the policy review of the SESA financing system concluded in 1986 will be developed. Other areas of major staff emphasis will include: 1) continued development and refinement of the QC system and related initiatives; 2) increased emphasis on improved UI/JTPA coordination; 3) continuation of Federal oversight of State UI program activities; 4) continued actuarial support and technical assistance to States to increase trust fund solvency and accurately determine resource needs and; 5) initial implementation of needed reforms in UI administrative financing.

Office of Trade Adjustment Assistance

With the expiration of sections 236, 237 and 238 of the Trade Act on September 30, 1986, essential trade adjustment assistance close down activities to be performed during 1987 include completing cases remanded to the Department by the U.S. Court of International Trade, completion of ongoing escape clause studies under Sections 201 and 224 of the Act, and packaging and archiving records.

1986

The revised 1986 request reflects the effects of the sequestration of funds required by P.L. 99-177. This legislation will reduce this activity by $684,000. The workload will be accomplished with reduced resources. The estimate also reflects the reductions in consulting services required by P.L. 99-190, and will reduce this activity by $14,000.

PA-22

U.S. Employment Service

The 1986 emphasis will be on fostering a strong State role. Staff activities will be directed towards fostering closer coordination between training deliverers and labor exchange services deliverers, and toward developing, negotiating, and monitoring reimbursable agreements with the States for non Wagner-Peyser activities. Administrative functions, such as budget justification, setting performance standards, and policy guidance will be maintained.

Other activities will be directed toward maintaining standardized systems in such areas as grants and interstate clearance. Program monitoring of the basic Wagner-Peyser activities will be focused upon basic compliance requirements, planning processes and planned services. Alien labor certification activities will continue to be carried out by the Employment Service, with emphasis on quality control and reduction of certification backlogs. Because of increased Immigration and Naturalization Service enforcement activity and continued concern with illegal alien legislation, activity associated with oversight of the Temporary Agricultural Labor Certification Program will be increased. Activities such as field reviews, regional monitoring and sample certification reviews will be increased through productivity improvements within current staffing levels. Guidance for the WIN program phase-out and grant closeout will be provided to the States.

Unemployment Insurance Service

In 1986, UIS is continuing support: 1) to provide leadership, policy direction, oversight, technical assistance and assure continued compliance by all SESAs with all mandated legal and performance requirements of the UI program and; 2) to improve and strengthen techniques for the prevention, detection, and recovery of overpayments, and reduction of unnecessary program outlays.

Work will also continue on the design and implementation of a comprehensive UI QC program based on the outcome of the formal review of the proposed design undertaken in 1985. At the same time, a comprehensive policy review of the SESA administrative financing system will be concluded in conjunction with public consultations to identify needed system reforms. The current status of UI oversight will be reviewed. A major reemployment demonstration project, designed to test alternative reemployment strategies and approaches for permanently displaced UI eligible workers, is being closely monitored and evaluated.

Office of Trade Adjustment Assistance

The 1986 appropriation for trade adjustment assistance for workers was based on the statutory expiration of the program on September 30, 1985. Accordingly, Congress provided sufficient funds to satisfy the retroactive benefit provision activity and phase-out needs. Congress deferred further consideration of funding the TAA program beyond the expiration of the authorizing provisions of the Act, until such time as the authorization situation was clarified. Administrative functions, such as budget justification, setting performance standards, and policy guidance will be maintained. The Department is continuing activity necessary in light of the extension of TAA to December 19, 1985, and operation of job search, relocation, and training under the continuing resolution through September 30, 1986.

1985

U.S. Employment Service

Consistent with decreased Federal involvement in the design and operation of programs, activities during the year included:

- Policy development and system adjustment for basic labor exchange services;
- Review and adjustment of the reimbursable grant process;
- Development of new reduced reporting systems;
- Review of basic service delivery and financial accountability;
- Continued support of occupational test development, validation and extension of the Validity Generalization pilot; and
- Implementation of compliance monitoring systems consistent with State designed and operated programs.

Other activities of the USES staff were:

- National Job Bank: Continued actions to encourage States to increase the degree of automation and client use of this system.
- Targeted Jobs Tax Credit: Closely monitored data validation and verifications.
- Alien Labor Certification: Emphasis was on quality control.
- Labor Market Information: Production of annual Labor Surplus Area listing and monthly High Unemployment Area trends, and management of JTPA Labor Market Information Programs.
- Occupational Analysis and Classification: Trained staff in new Occupational Analysis Field Centers and expanded taxonomy analysis into new and high tech occupations.
- Services to Migrant and Seasonal Farmworkers: Compliance monitoring continued to insure ongoing equity of services to migrant and seasonal farmworker applicants.
- Labor Exchange: Continued setting overall funding policy for USES programs through budget justifications, seeking public comment on options for distribution of funds, setting performance standards, and establishing policy guidelines.

Unemployment Insurance Service

In 1985, UIS continued to provide leadership, policy direction, oversight, technical assistance and support to strengthen trust fund solvency and integrity. During this period staff efforts were concentrated on overseeing continued operation of Random Audit/Quality Control and related integrity activities in all States, implementation preparations and training of state and federal QC staff.

Other significant accomplishments in 1985 included:

- Overseeing phase-out of the Federal Supplemental Compensation Program beginning in March 1985.
- Completing installation and testing of QC ADP hardware and software in all States.
- Internet telecommunication of interstate initial claims and interstate messages was accomplished in 31 States. Participation in the interstate quarterly wage and benefit crossmatch and claimant locator was increased to

46 States. All States telecommunicated weekly and monthly statistical data.

- Assistance to States in developing necessary legislation to conform with changes in UI Federal laws; review of State laws for conformity with Federal UI statutes; and management of action against nonconforming States.

- Review of State requests for a cap on offset of Federal employer tax credits and for a discount or deferral of interest payments on Title XII loans.

- Review of administrative findings involving procedural weaknesses in paying and reporting the Federal share of Unemployment Compensation and other questioned costs from a series of Federal share audits conducted in 45 states for the period October 1, 1981, through September 30, 1983.

- Negotiation of an agreement with New Jersey to conduct a reemployment demonstration project to provide assistance to approximately 4,000 workers displaced due to changes in market demands for their services.

- Award of $19.1 million to 28 States for automation grants to improve the administration of the program and reduce the cost of processing UI claims and collecting employer taxes.

Trade Adjustment Assistance

In 1985, a total of 1,022 cases were instituted; up from 589 cases in the previous year. The backlog of worker petitions in process rose to 427 from 150 at the beginning of the fiscal year, and the average length of time to conduct fact-finding investigations and to issue determinations on new petitions declined from approximately 4.3 months at the beginning of the year, to 3.4 months at the end. During the year, a total of 746 cases were completed and 462 petitions were certified covering 37,513 workers.

Changes for 1987

Activity changes:

Built-in:	
Within-grade promotions	$45,000
Merit pay	51,000
Career ladder promotion	17,000
Federal Employees Compensation	92,000
Travel	17,000
GSA space rental	542,000
Communications	11,000
Administrative support services (WCF)	137,000
Printing	1,000
Other services	28,000
Supplies	1,000
Equipment	5,000
Transportation	2,000
UI Research and Training Contractual Services	152,000
Annualization of personnel funded part-year in 1986	268,000
Non-recurring costs of benefits to former personnel	-14,000
Expiration of Trade Adjustment Assistance	-2,068,000

Total Built-in	-713,000
FTE	-25
Net Program	+9,257,000
FTE	-14

Productivity Savings

Proposal: To provide a decrease of two FTE and the related costs.

Rationale: Improved productivity and savings generated through management actions allow for the decrease without affecting program operations.

Program Effects: The effect of this reduction will be to reduce support activities but will not affect basic program operations.

Base:
FTE: 196 Estimate: $15,373,000

Program Decrease:
FTE: -2 Estimate: -$37,000

Work Incentive (WIN) Program

Proposal: To reduce funding and eliminate the authorized staff associated with the WIN program, consistent with the Administration's decision not to seek funding for this program in 1987.

Rationale: Guidance for the WIN program phase-out and grant closeout will be provided to the states, consistent with the Administration's policy, thereby eliminating federal staff responsibilities.

Program Effects: Federal staff levels would be maintained for one quarter in 1987 to provide for completion of program phase-out and grant closeout, after which on-board staff would be reassigned to other program areas, and the authorized positions abolished.

Base:
FTE: 16 Estimate: $931,000

Program Decrease:
FTE: -12 Estimate: -$711,000

UI Research and Training

Proposal: To provide resources for the continuation and expansion of alternative reemployment demonstration pilots. This is a one time increase. No financing for these pilots is necessary beyond 1987. This request exceeds the research limitation as stipulated under the current law by $2,570,000.

Rationale: Continuing programs of research, personnel training, and technical assistance contribute to the effectiveness and efficiency of the Federal-State unemployment compensation program, which has an annual outlay of approximately $15-20 billion. Additional information is needed about strategies to improve and accelerate the adjustment of structually unemployed workers, who are unemployment insurance beneficiaries. The recognition and implementation of successful cost effective approaches could result in significant benefit outlay savings.

Program Effects: These projects are designed to test alternative strategies aimed at expediting the return to work of the long-term, and potentially long-term, unemployed UI beneficiaries, and to answer questions about the cost and impact of these proposals to provide additional services to longer-term unemployed UI

beneficiaries. These pilots will include funding to dislocated workers to set up their own businesses, for retraining dislocated workers in new skills and occupations, and for completing the UI reemployment demonstration project begun in 1985. Contractors or grantees would be used to conduct the demonstration projects, including development of the study design, determination of the sample size and criteria for participant selections, implementation of monitoring of the experiments, and data analysis.

FTE: -0- Estimate: $3,239,000

Program Increases:
FTE: -0- Estimate: +$10,000,000

PA-27

Financial Control and Management Systems

1985 Comparable		1985 Appropriation		1986 Estimate		1987 Estimate		Increase or Decrease	
FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
308	$26,586,000	314	$25,414,000	308	$24,523,000 1/	306	$22,640,000	-2	-$1,883,000

1/ Included in 1986 Estimate above:

Sequestered under P.L. 99-177	-$1,093,000	and	-0- FTE.
Comparative transfer from Health and Human Services (WIN)	+$255,000	and	+1 FTE.
Comparative transfer to Departmental Management	-$53,000	and	-1 FTE.
FTE lapsing	-$0	and	-6 FTE.

Introduction

The Financial Control and Management Systems budget activity is composed of the Office of Financial Control and Management Systems (OFCMS) and the Office of Program and Fiscal Integrity (OPFI). OFCMS provides leadership and direction to insure sound management of personnel, property, and financial resources throughout ETA. It develops and operates a comprehensive information resources management system composed of integrated supplementary systems for collecting, processing, and communicating training and employment program and financial data. It provides budget, accounting, and data analysis services for ETA. OFCMS also develops, promulgates, and executes policies, standards, and guidelines governing ETA management information, budget, accounting, financial and procurement systems, personnel management and organizational analysis, administrative, and property and engineering management services.

OPFI resolves audits and closes out contracts and grants, collects outstanding debts due ETA and refers those debts to the Department of Justice that require enforced collection. It investigates complaints of fraud, gross mismanagement, and conflicts of interest. This office establishes internal management controls to minimize waste, loss, and unauthorized use of government funds and property, and conducts pre-award reviews to insure that ETA does not contract with individuals or organizations with outstanding debts due ETA, or having a history of questionable administrative practices. OPFI conducts program and fiscal integrity reviews of nationally administered contracts and grants.

1987 Budget Request

Financial Control and Management Systems

OFCMS will provide leadership and direction for continued improvement in the following areas:

- Budget formulation and execution;
- Financial management;
- Financial oversight of ETA contracts and grants;
- Management of the grants and contracts system;
- Procurement services for nationally managed programs;

PA-28

- o Information management services; and
- o Administrative support and personnel services.

Ongoing activities such as budget formulation, execution, financial planning, cash and financial management monitoring, accounting journalization and ledger maintenance, and administrative support and personnel services will continue. New or revised management reports will continue to be developed in 1987 to aid in financial, staffing and position management. Property management efforts will focus on the disposition of property and equipment and the transfer of files and records from Job Corps centers, which will be closed under the Administration's proposal to reduce the size of the Job Corps program. Plans for 1987 information resources management are currently based on a performance maintenance assumption.

Program and Fiscal Integrity

Debt collection activities, including the enforced collection of debts, will constitute a primary workload activity for OPFI. Allegations of fraud, program abuse and conflicts of interest will be investigated and internal control reviews will be conducted. Reviews of nationally administered programs will be conducted to insure satisfactory performance and program accountability. ETA grants and contracts will be closed out and audits of programs resolved.

OPFI will continue its program of preventive maintenance and technical assistance to JTPA grantees. This program focuses on the review of financial and operational systems to identify problems and to provide the needed technical assistance to resolve them.

1986

Financial Control and Management Systems

Activities being implemented in 1986 include the initiation of the Federal Financial Management Process which will begin with designation of major financial management systems, and include the development of an overall financial management plan and assessment of each system. Implementation of the Single Audit Act will be a high priority, as will completion of closeout procedures, cost allocation and indirect cost rate instructions. Remaining National Office program sponsors will be converted to the electronic fund transfer system as appropriate, and Native American, Migrant and Older Worker programs will be monitored along with JTPA State programs for adequate cash management practices. Financial policy efforts will continue to be directed toward insuring consistent communication with grantees in terms of reporting results of financial reviews.

OFCMS is continuing to work with other DOL offices to improve procedures in the administration and management of grants and contracts. Grant awards for Native Americans and Migrants executed in 1985 were for a two-year period. The new designation cycle for these grantees will be initiated in the fall of 1986.

The Office will continue to support the operations of ETA programs with improved and economical word and data processing. Emphasis will be given to areas where improved productivity results from office automation. An information resources requirements analysis will be initiated and, consistent with the results of this and other input from the program units, the five year ADP plan will be revised as necessary.

The sequestration of funds required by P.L. 99-177 and the reduction in advisory and assistance services required by P.L. 99-190 will increase budget and financial management activities during 1986 as funding levels are revised for the second half of the year. Revised spending/financial operation plans will be developed to identify how to achieve the required reductions with minimum adverse impact, and increased monitoring of spending will be scheduled to insure the attainment

of planned reductions or the prompt formulation and implementation of alternative reduction plans.

In the administrative and personnel areas, the following will be accomplished:

- o The move of National Office employees from their current location in the Patrick Henry Building to the Frances Perkins Building.
- o Implementation of Regional Office space reduction plans to bring office space usage per employee down to 150 square feet or less.
- o Plans will be developed for the disposition of property, equipment, files and records in Job Corps centers which will be closed.
- o Facilities standards for Job Corps for new construction, and minimum guidelines for existing buildings, will be implemented.
- o Emphasis will continue on position management and classification surveys begun in 1985.
- o Training plans will be developed and implemented for new employees hired during 1985, in addition to the maintanence of existing programs available to all other employees.

Program and Fiscal Integrity

Emphasis will be placed on reducing the amount of accounts receivable for ETA through enforced collections and other active debt service measures. Work will continue on resolving the remaining CETA audits and closing out the remaining CETA grants and contracts. Also, audits will be received from JTPA grantees. OPFI will issue initial and final determinations within 180 days of receipt of such audits.

Selected administrative and management reviews will be conducted of nationally administered programs to insure program and fiscal accountability. Grantees will be selected on the basis of past or current performance, audit reports, and other program and financial management information.

Investigations to determine the validity of allegations of fraud, program abuse, or noncompliance received through the various administrative and management systems will be conducted. Reviews will be conducted of ETA functions to determine if effective systems of internal controls are being maintained to satisfy the requirements of the Federal Managers Financial Integrity Act.

1985

Financial Control and Management Systems

During the year, OFCMS provided guidance and technical assistance on ETA procurement, information resources, property management and financial management policy and procedures. JTPA and SESA compliance review monitoring guides in the areas of financial management and cash management were completed. All JTPA grantees and SESAs were reviewed. In addition, compliance monitoring review guides for cash management and finanical management were rewritten. OFCMS began converting National Office Special Targeted Programs to the Letter of Credit - Treasury Financial Communications System to enable electronic 24 hour transfer of funds from the Federal Government to the sponsor. Instructions and/or guidance was provided to States on JTPA audit resolution, JTPA closeout, JTPA and SESA cash management procedures, obligation and expenditure life of JTPA funds, lease purchase agreement limitations, indirect costs, cost allocation, and cost allocation plans.

Major efforts in 1985 were made to enhance the efficiency and effectiveness of the grant planning, selection, and award process and grantee procurement system

reviews. In the former, guidelines and procedures were implemented to streamline the process which substantially reduced or eliminated duplication of effort and paper flow. In the latter, a revised guide and instructions have been developed which streamline the assessment of grantee compliance with JTPA provisions.

The Office implemented the Competition in Contracting Act and accompanying contracting officer/grant officer delegation of authority procedures. Successful competitions and negotiations resulted in over $4 million in cost savings.

A five year information resource management plan was developed which indicated the goals each program unit has for the Automated Information System (AIS) they controlled. It also proposed an overall strategy to bring AISs currently on time share facilities into the ETA computer network in order to significantly reduce costs and to otherwise improve word processing and data processing capabilities. Actions were initiated to obtain approval of the plan.

Personnel efforts were focused on vigorous recruitment efforts to fill vacant positions. In addition, a two year position management survey of all components was initiated in order to ensure that improvements achieved through grade reductions are not lost. Space reduction efforts to comply with GSA standards, and the plans for moving to the Frances Perkins Building were continued. Delays in the availability of space in the Frances Perkins Building for ETA resulted in postponement of ETA's move until 1986. Regional office space reduction plans were reviewed and implementation begun in some regions.

Program and Fiscal Integrity

In 1985, ETA collected approximately $25 million in outstanding debt. ETA policies and procedures developed and implemented, and the emphasis placed on debt management, were instrumental in achieving this milestone. Also, procedures were developed for the referral of administratively uncollectible debts to the Department of Justice for enforced collection. Over $14 million in debt claims were formally referred to the Department of Justice.

OPFI conducted 18 investigations involving incidents occurring on Job Corps centers such as gang activity, suicide, and incidents concerning grantees such as allegations of fraud and program mismanagement. Twenty-one internal control reviews were conducted, and 574 pre-award clearance requests received responses. Incident report procedures were revised and transmitted to appropriate segments of the training and employment system.

Significant progress was made in completing the financial and administrative closeout of the CETA program; 94.7 percent of all CETA closeout actions have been completed. With respect to JTPA, policies and procedures were developed for the processing and resolution of JTPA audits.

Twenty-one reviews of nationally administered contracts and grants were conducted. These reviews focused primarily on the operation of the financial and administrative systems employed by the contractors and grantees. Where significant findings were disclosed, contractors and grantees instituted the needed corrective action.

Changes for 1987

Activity changes:

Built-in:	
Within-grade promotions	$52,000
Merit pay	40,000
Career ladder promotion	24,000
Federal Employees Compensation	-104,000
Travel	20,000

GSA space rental	225,000
Communications	-49,000
Administrative support services (WCF)	20,000
Printing	2,000
Other services	29,000
Supplies	2,000
Equipment	47,000
Transportation	2,000
ADP	240,000
Annualization of personnel funded part-year in 1986	-10,000
Non-recurring costs in benefits to former personnel	-19,000
Non-recurring moving costs	-1,000,000
Non-recurring ADP costs	-852,000
Total Built-in	-1,331,000
FTE	3
Net Program	-552,000
FTE	-5

Productivity Savings

Proposal: To provide a decrease of 4 FTE and the related costs.

Rationale: Improved productivity and savings generated through management actions allow for the decrease without affecting program operations.

Program Effects: The effect of this reduction will be to reduce support activities, but will not affect basic program operations.

Base
FTE: 311 Estimate: $23,192,000

Program Decrease:
FTE: -4 Estimate: -$133,000

Office Space Reduction

Proposal: To reduce office space and thereby realize savings in the space rental costs.

Rationale: The reduction in office space is reflective of DOL's goal to reduce office space usage per person.

Program Effects: There are no program effects related to office space reductions.

Base:
FTE: -0- Estimate: $1,369,000

Program Decrease:
FTE: -0- Estimate: -$95,000

Job Corps

Proposal: To reduce OFCMS staff by one FTE and the ADP costs related to the Job Corps Program.

Rationale: The reduction in the number of Job Corps centers and the number of Federal Job Corps staff resulting from the Administration's proposal to reduce the size of the Job Corps program, reduces the level of support staff required in OFCMS.

PA-32

Program Effects: OFCMS functions related to the Job Corps program are reduced consistent with the planned program reduction.

Base:			
FTE:	12	Estimate:	$957,000
Program Decrease:			
FTE:	-1	Estimate:	-$324,000

PA-33

Executive Direction and Administration

1985 Comparable		1986 Appropriation		1986 Estimate		1987 Estimate		Increase or Decrease	
FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
98	$5,749,000	100	$5,657,000	97	$5,404,000 1/	98	$5,663,000	+1	+$259,000

1/ Included in 1986 Estimate above:

Sequestered under P.L. 99-177	-$243,000	and	-0-	FTE.
Withdrawal pursuant to P.L. 99-190	+$10,000	and	-0-	FTE.
FTE lapsing	-$0	and	-3	FTE.

Introduction

The Executive Direction and Administration activity provides overall supervision and direction, policy and planning, administrative management support, management assistance services, and public relations for all parts of the Employment and Training Administration. This activity consists of three distinct functional offices: the Office of the Assistant Secretary (OASETA), the Office of Regional Management (ORM), and the Office of Strategic Planning and Policy Development (OSPPD).

The Office of the Assistant Secretary provides overall direction and leadership for all ETA activities. This includes policy planning and implementation, achievement of approved program and staffing levels, development of legislative proposals, implementation of legislative changes, financial control improvements, and the design of organizational development for effective administration of all ETA programs.

ORM provides leadership, guidance and assistance to the Regional Offices to assure effective management and operation of ETA programs and policies in the field. Through a staff of program specialists and regional desk officers, ORM supports and assists program and functional managers in accomplishing national objectives through a continuous flow of information concerning program status in the field, policy issues that need to be addressed, and program improvements to be considered.

OSPPD provides the principal staff capability for ETA's planning, policy and legislative functions, research and demonstration programs, performance standards development, and program evaluation. Functions carried out by staff of this office include: providing strategic long-term and short-term planning; carrying out an ongoing program of policy and program analysis; coordinating legislative and regulatory activities; administering a comprehensive program of research, demonstration and evaluation projects; developing and administering a system of performance standards; and preparing a variety of reports required by Congress.

1987 Budget Request

The Office of the Assistant Secretary

The Assistant Secretary's Office will continue to provide overall direction and leadership in the development of improved training and employment programs nationwide. The major objectives of the office include: advising the Secretary in the formulation and execution of policies, programs, and systems, and the establishment of national priorities for training and employment programs;

directing the administrative, financial, and management systems and services; directing the development of operational and strategic policy, and administering the operations of ETA programs; and directing the development and administration of programs for management improvement and technical assistance to the programs delivery agents.

Regional Management

The Job Training Partnership Act (JTPA) oversight system and the Unemployment Insurance Quality Control program will continue to be major priority areas for ORM in 1987.

The purposes of the JTPA oversight system are to assure that the JTPA programs, including the Labor Exchange function (Title V), are conducted consistent with Federal law and regulations, and that the States are carrying out their responsibilities to establish policy, procedures, and systems, and to provide oversight/monitoring. ETA will review States, on-site, with particular attention to those areas where the Secretary has a direct responsibility, i.e., ensuring program integrity, equal access, and performance.

It is anticipated that an Unemployment Insurance Quality Control program will be operational in all states in 1987. ORM, together with the Unemployment Insurance Service, will monitor this activity closely and provide assistance where necessary.

ORM will monitor technical assistance provided by the Regional Offices to ETA grantees and information exchange activities fostered by Regional Offices among States, Service Delivery Areas, Private Industry Councils, and State Job Training Coordinating Councils.

Management reviews of individual regional offices will be conducted to improve the efficiency of internal operations. Also, ORM will continue to participate in Regional program management reviews. ORM staff will follow-up on Regional corrective action activities, where deficiencies are observed.

Strategic Planning and Policy Development

In 1987, OSPPD will concentrate on the development of plans to meet changing labor market demands over the short and long term, and provide support to Congressional oversight hearings and other employment related legislative activities. Analytical activities will focus on problems of youth unemployment, worker dislocation, and more effective coordination of Federal employment related activities.

Major areas of emphasis will be the continued assessment of issues emerging from the projection of the labor market in the year 2000, to be undertaken in 1986. Coordination activities initiated in 1986 will be broadened.

Research and evaluation staff efforts will include the study of major programs administered by ETA, and the continued development of performance standards as required by JTPA. Staff efforts will also include the design and implementation of a new series of structured evaluations of experimental projects that will determine the net impact of JTPA participation. Other research and evaluation efforts will study the specific aspects of JTPA and other ETA programs. Primary staff efforts will focus on development of pilots and demonstration projects to provide models for addressing youth unemployment and other priority labor market problems. Working with the Departments of Education and Health and Human Services, staff will concentrate on developing innovative approaches to reduce the problem of school

dropouts. Other areas for pilot development will include approaches to serving workers dislocated by trade and changing labor market demands.

1986

The revised 1986 estimate reflects the effects of the sequestration of funds required by P.L. 99-177. This proposal will reduce this activity by $243,000. The workload will be accomplished with reduced resources. The estimate also reflects the reductions in advisory and assistance services required by P.L. 99-190, and will reduce this activity by $10,000.

Regional Management

The major emphases for ORM in 1986 continue to be the field application of the the JTPA oversight system and implementation of the Unemployment Insurance Quality Control (QC) program through the Regional Offices. ORM has the responsibility to oversee Regional Office implementation and management of the oversight systems in the field. It is the policy of ETA to conduct JTPA oversight that verifies the development, utilization, and effectiveness of State monitoring and follow-up processes. The oversight system includes a review of State level activities, as well as local level programs and other subrecipients in a sample of SDAs. The actual on-site reviews will be conducted by Regional Office staff.

A new review system will be designed and implemented to provide for a periodic assessment of Regional Office performance. Corrective action will be instituted where necessary, and ORM staff will closely monitor progress.

Strategic Planning and Policy Development

In 1986, OSPPD will provide analytical support to JTPA and related programs based on program data and research and evaluation studies. A major area of emphasis will be the projection of changes in the labor market between now and the year 2000. Issues arising from this projection will be assessed, and options will be developed to assure that programs are appropriate to meet future needs. Other significant efforts will include planning for major conferences on youth job opportunities and development of more effective coordination among Federal agencies concerned with training and employment issues.

1985

Regional Management

During 1985, ORM coordinated the preparation and clearance of compliance review guides covering 18 separate JTPA program elements. ORM distributed these review guides to Regional Office and State Agencies and conducted orientation sessions for their staffs on the effective use of the guides.

ORM coordinated and reviewed approximately 1,500 compliance review reports issued to the State Agencies in 57 Federal jurisdictions to ensure they were accurate (in terms of policies and procedures), clear, and up-to-date. ORM participated with Regions in quarterly program/management reviews of all Regional activity and tracked ensuing corrective action. With other ETA offices, ORM ensured that ETA responses to the Office of the Inspector General and the General Accounting Office recommendations were adequate and timely.

PA-36

With OPFI and OFCMS, ORM established targets and managed ETA's cash management and debt collection initiatives in the field. Almost 900 audits of CETA Prime Sponsors were resolved. Through debt collection activities, $19,300,000 was recovered in 1985.

Strategic Planning and Policy Development

In 1985, OSPPD focused on the analysis of issues related to JTPA and other training and employment programs, including targeting of services to youth through revisions in allocation formulas, and the relationship of Trade Adjustment Assistance to JTPA participation.

A major focus of the performance management and evaluation staff was the development of the program year 1986 JTPA Title IIA performance standards. Staff efforts were also directed to the development of standards for the Migrant and Seasonal Farmworker programs, the Indian and Native American programs, the Employment Service, and the Job Corps. Evaluation staff developed a revised evaluation system (named Job Training Longitudinal Survey-Quick Turnaround) to track a sample of JTPA participants to provide data on the enrollees and their experience as a result of participation in the new program.

Changes for 1987

Activity changes:

Built-in:	
Within-grade promotions	$20,000
Merit pay	13,000
Career ladder promotions	8,000
Federal Employees Compensation	-35,000
Travel	8,000
GSA space rental	116,000
Communications	5,000
Administrative support services (WCF)	13,000
Printing	1,000
Other services	12,000
Supplies	1,000
Equipment	2,000
Annualization of personnel funded part-year in 1986	162,000
Non-recurring costs for benefits former personnel	-6,000
Total Built-in	320,000
FTE	3
Net Program	-61,000
FTE	-2

Productivity Savings

Proposal: To provide a decrease of two FTE and the related costs.

Rationale: Improved prodctivity and savings generated through management actions allow for the decrease without affecting program operations.

Program Effects: The effect of this reduction will be to reduce support activities, but will not affect basic program operations.

Base:
FTE: 100 Estimate: $5,724,000

Program Decrease:
FTE: -2 Estimate: -$44,000

Office Space Reduction

Proposal: To reduce office space and thereby realize savings in the space rental costs.

Rationale: The reduction in office space is reflective of DOL's goal to reduce office space usage per person.

Program Effects: There are no program effects related to office space reductions.

Base:
FTE: -0- Estimate: $539,000

Program Decrease:
FTE: -0- Estimate: -$17,000

PA-38

Regional Operations

1985 Comparable		1986 Appropriation		1986 Estimate		1987 Estimate		Increase or Decrease	
FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
774	$45,681,000	741	$43,094,000	754	$42,966,000 1/	684	$38,889,000	-70	-$4,077,000

1/ Included in 1986 Estimate above:

Sequestered under P.L. 99-177	-$1,853,000	and	-0- FTE.
Comparative transfer from Health and Human Services (WIN)	+$1,830,000	and	+32 FTE.
Comparative transfer to Departmental Management	-$105,000	and	-2 FTE.
FTE lapsing	-$0	and	-17 FTE.

Introduction

The Regional Operations activity provides direct supervision, administrative management support, management assistance services and program administration for all training and employment programs to assure effective implementation and operation of ETA policy and programs. Under the direction of the Regional Administrators and Regional Job Corps Directors, regional staff provide financial oversight and technical assistance to program grantees and monitor progress toward achievement of the Secretary's goals and objectives.

1987 Budget Request

The basic mission and responsibilities of the Regional Offices will continue to be program oversight, grant management, technical assistance, and UI program performance.

The JTPA oversight system will continue to be refined, based upon agency policy and experience. Follow-up on deficiencies noted in compliance reviews will have increased significance as JTPA continues into its third program year. Technical assistance will be provided to States with emphasis on helping States assist Service Delivery Areas (SDAs) in the design and operation of Job Training Programs.

A UI QC program will be fully operational in all States. Regional Office staff efforts will focus on providing technical assistance, re-reviews of a subsample of State QC cases, monitoring of State systems and procedures, and in-depth analysis of QC results. Close coordination will continue with the UIS National Office staff. Regional support for program refinements and pilot projects will be continued.

Employer requests for Alien Certification of foreign workers will be processed and reviewed by Regional Office staff.

Alien Certification

Types	1985	1986	1987
Non-Ag Applications	34,500	40,250	40,250
Agriculture Applications	23,000	28,750	28,750

Through direction from the Office of Regional Management, the Regional Offices will conduct periodic reviews of their own operations and management efficiency.

Job Corps Regional staff will focus efforts on final disposition of equipment and property of closed centers, and on closeout activities associated with terminated contracts. Regional Office staff will also continue to carry out critical functions of procurement, contract and financial administration, monitoring and review, and enrollee support activities. Emphasis will continue on establishment and implementation of program linkages, and the conduct of pilot and demonstration projects.

1986

The revised 1986 request reflects the effects of the sequestration of funds required by P.L. 99-177. This legislation will reduce this activity by $1,853,000. The workload will be accomplished with reduced resources.

The major priority areas of JTPA oversight and implementation of the UI QC program, as well as on-going activities such as grant management, audit resolution, closeout activities, and debt collection will continue to be emphasized in 1986.

Regional Offices will continue to conduct compliance reviews of Program Year 1985 training and employment programs to ascertain if States are operating JTPA and Wagner-Peyser programs consistent with Federal laws and regulations. This includes a review of State level established policies, procedures, and systems, as well as a sample of SDAs for the JTPA reviews. Also included is a review to assure that the States are monitoring SDAs and State supported systems.

Regions will provide technical assistance to States at their request, to aid the States in developing capabilities in providing technical assistance to SDAs and other subrecipients, and to provide forums for grantees, SDAs, State Job Training Coordinating Councils, and Private Industry Councils to share experiences, ideas, and problems.

The UI QC program will be implemented in 1986 to improve the accuracy and timeliness of UI revenue and payment activities. Regional Office staff will provide assistance to States during initial system implementation and oversee program operations once in place. Federal re-review activities will also be initiated, support monitoring and design assistance for QC pilots provided, initial reviews of State systems and procedures conducted, QC data analyzed, and follow-up on corrective actions initiated.

Job Corps Regional Office staff will be involved with implementation of the Job Corps training capacity reduction. Regional staff will be responsible for termination of contracts for centers identified for closure and developing plans for transfer of corpsmembers to remaining centers, and disposition of property. Regional staff also will focus efforts on implementation of innovative programs and pilot projects to improve cost effectiveness. Staff will continue to carry out procurement activities, contract and financial administration, monitoring of contractor activities, and oversight of safety and health related center rehabilitation and preventive maintenance.

PA-40

Quality Control (UI)	1986	1987
Reviews - Monitoring	638 (6 months)	1276 (12 months)
Annual Compliance Reviews	52	52
Startup Reviews	104	-
Technical Assistance & Training	156	156
Analysis	260	624

1985

During 1985, the Regional Offices major accomplishments included carrying out the oversight mission of JTPA through State and SDA compliance reviews. Regional Offices participated in the revision of Program Year 1985 JTPA compliance review guides based on prior year experience. The Regional Offices conducted compliance reviews in 19 separate JTPA program elements under three core systems: Integrity (Financial and Management Information Systems), Employment and Training, and Wagner-Peyser Labor Exchange. They produced approximately 1,500 compliance review reports, with many requiring up to three on-site SDA visits, and State level visits, for each report. The Regions also negotiated ES cost reimbursable grants and monitored program performance and financial management of the grantees.

Changes for 1987

Activity Changes:

Built-In	
Within-grade promotions	$153,000
Merit pay	86,000
Career ladder promotions	60,000
Travel	59,000
GSA space rental	38,000
Communications	39,000
Printing	5,000
Other services	96,000
Supplies	5,000
Equipment	20,000
Regional space consolidation	-1,488,000
Annualization of personnel funded part-year in 1986	-838,000
Federal Employees Compensation	-33,000
Non-recurring costs for benefits to former personnel	-48,000
Total Built-in	-1,846,000
FTE	-11
Net Program	-2,231,000
FTE	-59

Productivity Savings

Proposal: To provide a decrease of seven FTE and the related costs.

Rationale: Improved productivity and savings generated through management actions allow for the decrease without affecting program operations.

Program Effects: The effect of this reduction will be to reduce support activities but will not affect basic program operations.

Base:
FTE: 743 Estimate: $41,120,000

Program Decrease:
FTE: -7 Estimate: -$148,000

Office Space Reduction

Proposal: To reduce office space and thereby realize savings in the space rental costs.

Rationale: The reduction in office space is reflective of DOL's goal to reduce office space usage per person.

Program Effects: There are no program effects related to office space reductions.

Base:
FTE: -0- Estimate: $3,015,000

Program Decrease:
FTE: -0- Estimate: -$821,000

Job Corps

Proposal: To reduce funding and 38 FTE related to the Job Corps program, consistent with the Administration's proposal to reduce the size of the program.

Rationale: The Administration proposes to phase-down the Job Corps program from the current enrollment capacity of 40,500 to 22,000 full-time training positions. Staffing and resources for the Job Corps program are reduced, consistent with the proposed program reduction.

Program Effects: None. Regional Office oversight will continue at previous levels.

Base:
FTE: 146 Estimate: $8,227,000

Program Decrease:
FTE: -38 Estimate: -$977,000

UI Quality Control (QC) Travel

Proposal: To provide increased travel funds to support the implementation and operation of the UI Quality Control Program.

Rationale: The QC program will be fully operational in all States in 1987. Staff efforts will focus on re-reviews of a subsample of State QC cases, monitoring of State systems and procedures, and in-depth analysis of QC results.

PA-42

Program Effects: The objective of the UI program is to reduce UI outlays through improved program management and integrity. This program represents an effort to improve program quality and reduce errors in the payment of program benefits and collection of UI revenues. State staff will collect and analyze data sufficient to assess the underlying causes of such errors and draft workable problem resolution strategies. Federal staff will analyze QC data for verification and validation purposes, forecasting, and design of possible legislative and budgetary or program structure changes. The objective is to gain long-term, systematic improvements in the UI program.

Base:
FTE: -0- Estimate: $780,000

Program Increase:
FTE: -0- Estimate: +$205,000

Monitoring/Oversight

Proposal: To reduce staff by 14 FTE.

Rationale: ETA program oversight and monitoring effort is continuing to be refined to reflect the new Federal role under JTPA. As the refinements and efficiencies are identified and implemented, it is anticipated that fewer staff will be required to provide monitoring and oversight activities.

Program Effects: Experience has demonstrated that the number of compliance guides can be consolidated. With fewer guides, the number of monitoring/oversight visits are reduced, thereby requiring fewer staff.

Base:
FTE: 597 Estimate: $34,626,000

Program Decrease:
FTE: -14 Estimate: -$490,000

Apprenticeship Services

1985 Comparable		1986 Appropriation		1986 Estimate		1987 Estimate		Increase or Decrease	
FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
250	$12,555,000	256	$12,867,000	249	$12,260,000 1/	253	$13,029,000	+4	+$769,000

1/ Included in 1986 Estimate above:

Sequestered under P.L. 99-177	-$553,000	and	-0-	FTE.
Withdrawal pursuant to P.L. 99-190	-$2,000	and	-0-	FTE.
Comparative transfer to Departmental Management	-$52,000	and	-1	FTE.
FTE lapsing	-$0	and	-6	FTE.

Introduction

The National Apprenticeship Act (Public Law 75-308) was enacted in 1937 to establish a system for developing and expanding the Nation's skilled worker resources through systematic employment training. As conceived by the Act, the role of the Bureau of Apprenticeship Services (BAT) is one of promotion, while authority and responsibility for the actual training lies with the private sector.

The Federal Government encourages apprenticeship through promotional efforts by a Federal field staff of apprenticeship and training respresentatives. These efforts are supplemented by State apprenticeship staff in varying degrees in 28 States. Technical assistance and advisory services are provided to private enterprise in developing, installing, and administering apprenticeship and allied industry training. This is achieved by direct contact with employers, employer associations, and labor organizations at the local community, State, and National levels.

Effective training methods and apprenticeship standards are published, and the activities are coordinated with those of public and private agencies concerned with skill resource development. Technical assistance and support are provided to State Apprenticeship Agencies, and uniform practices and standards procedures are developed.

In addition to dealing with new issues and challenges each year, BAT continually focuses its effort in certain areas. The apprenticeship system is being expanded and improved in cooperation with the Department of Education under provisions of the Carl D. Perkins Vocational Education Act of 1984. Support services are provided for the Federal Committee on Apprenticeship.

Attention is consistently given to eliminating artificial barriers in the workforce. There is a constant emphasis placed upon equal opportunity in apprenticeship/training programs. Attempts are being made to improve the quality of training in registered apprenticeship programs and increase public recognition of the registered apprenticeship as an effective method of providing fully skilled workers.

1987 Budget Request

Program and management objectives for 1987 are:

PA-44

- To improve the collection and dissemination of information on apprentices and apprenticeship programs through refinement of an on-line apprenticeship data system. This will assist the field representatives in their service to Private Industry Councils (PICs), State Job Training Coordinating Councils (SJTCCs), and the Governors;

- To increase productivity of available staff by refocusing BAT's efforts according to the changing distribution of employment, population, industry, and apprenticeable occupations. This includes registration of women and minority groups.

Apprenticeship Workload Data

	1985	1986	1987
Programs Developed and Installed	2,921	2,834	3,070
Programs Reviewed for EEO Compliance	1,721	2,030	2,130
Programs Assisted for Quality Improvement	1,888	2,030	2,130
Uniformed Military Apprentices	50,000	56,000	59,000
Apprentices in Training	328,000	333,000	343,000

1986

The 1986 estimate reflects the effects of the sequestration of funds required by P.L. 99-177. This proposal will reduce this activity by $553,000. The workload will be accomplished with reduced resources. The estimate also reflects the reductions in advisory and assistance services required by P.L. 99-190, and will reduce this activity by $2,000.

Program and management objectives for 1986 are:

- To assist departmental efforts toward the employment of women and members of minority groups in the skilled trades at a level commensurate with their representation in the labor force;

- To improve the ability of displaced workers to adjust more rapidly and effectively to the changing demands of future labor markets;

- To identify apprenticeable occupations outside the construction industry and to implement special promotion efforts toward these occupations;

- To support cooperation among other Federal agencies, State Vocational Education agencies, and other State and local government organizations, as well as private industry.

1985

BAT assisted the Department of Defense in establishing apprenticeship programs for military personnel, with the number of military apprentices increasing from 39,000 in 1984 to 50,000 in 1985. Apprenticeship programs were developed and registered for the U.S. Air Force Military Air Lift Command, Dover AFB (Delaware); Navy Public Works Center, San Francisco Bay; Stockbridge-Munsee Community of Wisconsin (Indian Tribe); Owens-Illinois, Inc.; Contel Page Services, Inc.; Associated Locksmiths of America, Inc.; and PRC Systems Services Company.

Apprenticeship standards have been updated to make them more effective in promoting the apprenticeship system of training. Support Communications Officer was approved as an apprenticeable occupation. Training materials were developed, and training was provided to Federal and State apprenticeship agency staff to improve their effectiveness and efficiency in promoting, developing, and installing apprenticeship programs in non-traditional and high technology areas emphasizing the availability of the performanced-based training concept as an optional approach to time-based skill training.

Progress has been made in the improvement and dissemination of information on apprentices and apprenticeship programs through the development and installation of an on-line apprenticeship information data system known as the Apprenticeship Management System (AMS). The AMS system is now operational in 41 States, the National Office, the U. S. Navy apprenticeship program in Pensacola, Florida, and the U. S. Army apprenticeship program in Ft. Monroe, Virginia. Training has been provided to the AMS users in the 10 BAT regions. The system was redesigned to meet current and projected apprenticeship needs.

Changes for 1987

Activity Changes:

Built-In:	
Within-grade promotions	$61,000
Merit pay	38,000
Career ladder promotions	19,000
Federal Employees Compensation	72,000
Travel	23,000
GSA space rental	45,000
Communications	16,000
Administrative support services (WCF)	42,000
Printing	2,000
Other services	42,000
Supplies	2,000
Equipment	7,000
Annualization of personnel funded part-year in 1986	462,000
Non-recurring costs for benefits to former personnel	-16,000
Total Built-in	815,000
FTE	7
Net Program	-46,000
FTE	-3

Productivity Savings

Proposal: To provide a decrease of three FTE and the related costs.

Rationale: Improved productivity and savings generated through management actions allow for the decrease without affecting program operations.

Program Effects: The effect of this reduction will be to reduce support activities, but will not affect basic program operations.

Base:
FTE: 256 Estimate: $13,075,000

Program Decrease:
FTE: -3 Estimate: -$46,000

PA-46

ADVISORY AND ASSISTANCE SERVICES

	FY 1986	FY 1987
Type of Services		
Advisory and Assistance Services.....	$165,000	$171,000
Personnel Appointments:		
a. Consultants and Experts.....	93,000	40,000
b. Advisory Commission Members.....	---	---
Total.....	258,000	211,000
Withdrawn from Obligation under Section 515, Treasury-Postal Service Appropriations Act, 1986. (Referenced in P.L. 99-190).....	-26,000	---
Revised Total.....	232,000	211,000

Justification of 1987 Request

Employment Security ($148,000):

Funds in the amount of $136,000 will provide for contract assistance and advisory services for the unemployment compensation programs. These funds will continue to be utilized for actuarial support of UI programs and to provide technical assistance to States to increase trust fund solvency and accurately determine resource needs.

Funds in the amount of $12,000 are required to finance the meetings of the Federal Advisory Council on Unemployment Insurance. This legislatively mandated Advisory Council holds several meetings a year to provide advice to the Secretary of Labor on Unemployment Insurance and to make recommendations to the Secretary for improvements to the system.

Apprenticeship Service ($23,000):

Funds are required to finance the meetings of the Federal Committee on Apprenticeship. This committee functions solely as an advisory group to the Secretary of Labor in compliance with the provisions of the Federal Advisory Committee Act.

Consultants and Experts ($40,000):

These funds will be provided to the Executive Direction and Administration activity to provide for consultant and expert services to the Assistant Secretary, on the role, responsibilities, and activities of ETA.

In previous years, funds have been utilized to develop and implement the JTPA legislation, review the activities of ETA Regional Offices, and assist in developing and implementing the UI Quality Control program.

Type size: 8 point 14½ picas Fol. flt. solid

STANDARD FORM 306
July 1968, Bureau of the Budget
Circular No. A-11, Revised.
306-102

PA-47

DETAIL OF PERMANENT POSITIONS

	19 85 actual	19 86 estimate	19 87 estimate
Executive level I	--	--	--
Executive level II	--	--	--
Executive level III	--	--	--
Executive level IV	1	1	1
Executive level V	--	--	--
Subtotal	1	1	1
ES-6	--	--	--
ES-5	7	5	5
ES-4	14	12	12
ES-3	--	1	1
ES-2	2	1	1
ES-1	3	9	9
Subtotal	26	28	28
GS-18	--	--	--
GS-17	--	--	--
GS-16	--	--	--
GS/GM-15	112	109	101
GS/GM-14	181	177	164
GS/GM-13	482	461	438
GS-12	400	367	351
GS-11	175	104	69
GS-10	1	1	1
GS-9	48	47	45
GS-8	13	11	11
GS-7	82	74	70
GS-6	134	127	121
GS-5	190	234	218
GS-4	36	36	34
GS-3	6	3	3
GS-2	2	2	2
GS-1	--	--	--
Subtotal	1,862	1,753	1,628
Ungraded	--	--	--
Total Permanent Positions 1/	1,889	1,782	1,657
Unfilled Positions, end-of-year	-171	-34	-34
Total Permanent Employment, end-of-year 2/	1,718	1,748	1,623
1/ Included in the total:			
Program Administration	(1,826)	(1,763)	(1,654)
Reimbursable Program	(3)	(3)	(3)
Work Incentives	(60)	(16)	--
2/ Included in the total:			
Program Administration	(1,664)	(1,729)	(1,620)
Reimbursable Program	(3)	(3)	(3)
Work Incentives	(51)	(16)	--
(Mono cost: 16.3)	(Mono cost: 4.9)	(Mono cost: 4.9)	(Mono cost: 4)

GPO 1973 O - 546-654

EMPLOYMENT AND TRAINING ADMINISTRATION

TRAINING AND EMPLOYMENT SERVICES

	Page No.
Appropriation language and explanation of language change	1
Analysis of appropriation language	3
Amounts available for obligation	4
Summary of changes	5
Budget Authority by activity	7
Budget Authority by object	8
Significant items in FY 1986 House and Senate Appropriations Committees reports	10
Authorizing legislation	14
Appropriation history	15
Analysis of FY 1986 appropriation/supplemental/rescissions	16
Justification:	
Appropriation	17
General Statement	18
Activities:	
Grants to States	19
a. Block grant	
b. Summer youth employment and training program	
c. Dislocated worker assistance	
Federally administered programs	25
a. Native Americans	
b. Migrant and seasonal farmworkers	
c. Job Corps	
d. Veterans' employment	
e. National activities	
f. Trade adjustment assistance	
State tables	37
Advisory and assistance services	45

EMPLOYMENT AND TRAINING ADMINISTRATION
TRAINING AND EMPLOYMENT SERVICES

For expenses necessary to carry into effect the Job Training Partnership Act, including the purchase and hire of passenger motor vehicles, the construction, alteration, and repair of buildings and other facilities, and the purchase of real property for training centers as authorized by the Job Training Partnership Act, [$3,461,045,000] *$2,909,608,000* plus reimbursements, to be available for obligation for the period July 1, [1986] *1987*, through June 30, [1987] *1988*, including *not to exceed $100,000,000 for activities authorized by section 301(c) of the Act, which shall be the maximum available under Title III of the Act,* 1/ $2,000,000 for the National Commission for Employment Policy, [including] *and* $3,000,000 for all activities conducted by and through the National Occupational Information Coordinating Committee under the Job Training Partnership Act [, and including $10,000,000 for service delivery areas under section 101(a)(4)(A)(iii) of the Job Training Partnership Act in addition to amounts otherwise provided under sections 202 and 251(b) of the Act]: 2/ *Provided*, That no funds from any other appropriation shall be used to provide meal services at or for Job Corps centers: *Provided further*, That *notwithstanding section 251 of the Job Training Partnership Act*, of the funds made available for obligation for the Summer Youth Employment and Training Program for the program years [1985 and] 1986 *and 1987* the Secretary of Labor [may reserve an amount, which, when combined with excess unexpended funds, shall not exceed fifteen percent of the total provided for the program, and allot such funds to the States so that each service delivery area receives, as nearly as possible, an amount equal to its prior year allocation for this program. For the purposes of this provision, "excess unexpended funds" shall mean for program year 1985, any amount unexpended as of September 30, 1985, in excess of 10 percent of the prior year State allotment, and for program year 1986, any amount unexpended as of September 30, 1986, in excess of 10 percent of the prior year State allotment. Reallocations of excess unexpended funds pursuant to this provision shall be

accomplished by reducing by an amount equivalent to the amount of excess unexpended funds, allotments made to the States] *shall allot such funds in a manner determined by the Secretary for specific geographic areas identified as most in need of such programs.* 3/ *(Department of Labor Appropriation Act, 1986.)*

Explanation of Language Change

1/ This language authorizes the Secretary to use all of the $100 million requested for the Dislocated Workers program authorized by Title III of the Job Training Partnership Act to fund project applications submitted by States. Without this language 75 percent of the available funds would be distributed by formula, which does not necessarily target funds to those areas with the most significant dislocations.

2/ No set aside funding is requested for Rural Concentrated Employment program service delivery areas. These areas will continue to receive formula funds distributed by the Governors to the service delivery areas in their States.

3/ This new language authorizes the Secretary to target summer program funds to those areas most in need of such programs. At present, funds are distributed to all geographic areas using a formula which has not targeted funds to where the need for the program is considered greatest. To correct this, language was included in the 1986 Appropriation Act both to recapture unused prior year funds and to use a portion of available funds to maintain previous year local funding levels. This 1986 language is no longer required.

ANALYSIS OF APPROPRIATION LANGUAGE

Language Provision	Explanation
"...To be available for obligation for the period July 1, 1987, through June 30, 1988...."	This language makes Job Training Partnership Act (JTPA) funds available on a program year basis running from July 1 of the appropriation year to June 30 of the following year as established under the authorizing legislation.
"...including *not to exceed $100,000,000 for activities authorized by Section 301(c) of the Act, which shall be the maximum available under Title III of the Act...*"	This language specifies that $100,000,000 of the total requested is for JTPA Title III programs and that all of these Title III funds are to be used in accordance with Section 301(c) of JTPA. This section establishes a Secretary's national reserve and permits funds to be directed on application from States to areas experiencing significant worker dislocation.
"...and $2,000,000 for the National Commission for Employment Policy and $3,000,000 for all activities conducted by and through the National Occupational Information Coordinating Committee, under the Job Training Partnership Act."	The language specifies the amounts provided to the National Commission for Employment Policy and the National Occupational Information Coordinating Committee.
"...That *notwithstanding section 251 of the Job Training Partnership Act*, of the funds made available for obligation for the Summer Youth Employment and Training Program for the program years 1986 *and 1987* the Secretary of Labor *shall allot such funds in a manner determined by the Secretary for specific geographic areas identified as most in need of such programs.*"	The legislative formula used to distribute Summer Youth Employment and Training Program funds provides funds to all local areas throughout the country regardless of need. The result has been uneven utilization of available funds. Rather than allocate funds to all areas, and redistribute unspent balances after the program has ended, language is requested to permit the Secretary to target available resources to those areas with the greatest needs.

TES-4

AMOUNTS AVAILABLE FOR OBLIGATION

	1985	1986	1987
Appropriation	$3,774,662,000	$3,487,045,000	$2,909,608,000
Sequestered under P.L. 99-177	--	-149,853,000	--
Revised Appropriation	3,774,662,000	3,337,192,000	2,909,608,000
Proposed program supplemental	--	74,000,000	--
Proposed rescission	--	-416,037,000	--
A. Subtotal, appropriation	3,774,662,000	2,995,155,000	2,909,608,000
Amounts withheld pursuant to Section 515 1/	--	-829,000	--
Amounts withheld pursuant to Compact of Free Association 2/	--	-1,252,000	--
B. Total Available Budget Authority	3,774,662,000	2,993,074,000	2,909,608,000
Unobligated balance available, start of year	1,248,644,000	1,257,691,000	835,787,000
Unobligated balance available, end of year	-1,257,691,000	-835,787,000	-777,351,000
Unobligated balance lapsing	-353,000	--	--
C. Total, estimated obligations	3,765,262,000	3,414,978,000	2,968,044,000

1/ Withheld from obligation pursuant to Section 515 of the Treasury, Postal Service, and General Government Appropriations Act as referenced in the full year Continuing Resolution for 1986, P.L. 99-190.

2/ Withdrawal pursuant to the Compact of Free Association Act of 1985, P.L. 99-239.

SUMMARY OF CHANGES

	1986	1987	Net Change
Budget Authority:			
General Funds	$2,993,074,000	$2,909,608,000	-$83,466,000

Explanation of Change:	General Funds
Increases:	
A. Built-In:	
To provide for increased costs:	
Block Grant	+78,405,000
Dislocated Worker Assistance Program	+7,465,000
Native Americans	+1,802,000
Migrant and Seasonal Farmworkers	+1,747,000
Job Corps	+14,712,000
Veterans' Employment	+254,000
National Activities	+1,923,000
Trade Adjustment Assistance	+1,095,000
Subtotal	+107,403,000
B. Program:	
To restore the amount withdrawn from obligation pursuant to P.L. 99-239, the Compact of Free Association Act of 1985	+1,305,000
To provide for an increase in Pilots and Demonstrations (1986 Base: $20,600,000)	+20,098,000
To provide for an increase in Research and Evaluation (1986 Base: $14,293,000)	+10,897,000
To provide for an increase in the statutorily determined funding level for the Veterans' Employment Program due to requested program increases in National Activities (1986 Base: $8,929,000)	+1,565,000
To provide for an increase in other National Activities (1986 Base: $15,118,000	+72,000
Subtotal	+33,937,000
Total Increase	+141,340,000

TES-6

Decreases:

B. Program:

To reflect reduced program levels:

Block Grant (1986 Base: $1,860,335,000)	-41,541,000
Dislocated Worker Assistance (1986 Base: $177,120,000)	-77,169,000
Native American Programs (1986 Base: $60,644,000	-584,000
Migrant and Seasonal Farmworkers (1986 Base: $58,806,000)	-566,000
To reflect completion of the Job Corps capacity reduction (1986 Base: $430,705,000)	-78,969,000
To reflect the expiration of the Trade Adjustment Assistance Act (1986 Base: $25,977,000)	-25,977,000
Total Decrease	-224,806,000
Total Change	-83,466,000

TES-7

BUDGET AUTHORITY BY ACTIVITY

Budget Authority applied to General Funds:	1985 Comparable	1986 Appropriation	1986 1/ Estimate	1987 Estimate	Change
1. Grants to States.....	$2,933,200,000	$2,627,700,000	$2,379,535,000	$2,348,000,000	-$31,535,000
a. Block grant.....	1,886,131,000	1,863,131,000	1,781,930,000	1,820,000,000	+38,070,000
b. Summer youth employment and training program.	824,549,000	664,549,000	427,950,000	428,000,000	+50,000
c. Dislocated worker assistance.....	222,500,000	100,000,000	169,655,000	100,000,000	-69,655,000
2. Federally administered programs.....	841,462,000	859,345,000	613,539,000	561,608,000	-51,931,000
a. Native Americans.....	62,243,000	62,243,000	58,842,000	60,060,000	+1,218,000
b. Migrant and seasonal farmworkers.....	63,474,000	60,357,000	57,059,000	58,240,000	+1,181,000
c. Job Corps.....	617,000,000	640,000,000	415,993,000	351,736,000	-64,257,000
d. Veterans' employment...	9,667,000	9,667,000	8,675,000	10,494,000	+1,819,000
e. National activities....	61,078,000	61,078,000	48,088,000	81,078,000	+32,990,000
Training and technical assistance.....	(5,900,000)	(5,900,000)	(5,646,000)	(5,900,000)	(+254,000)
Labor market information.....	(7,290,000)	(4,290,000)	(4,106,000)	(4,290,000)	(+184,000)
Research and evaluation.....	(12,190,000)	(13,190,000)	(13,743,000)	(25,190,000)	(+11,447,000)
National Commission for Employment Policy.....	(2,000,000)	(2,000,000)	(1,914,000)	(2,000,000)	(+86,000)
National Occupational Information Coordinating Committee.....	(3,000,000)	(3,000,000)	(2,871,000)	(3,000,000)	(+129,000)
Pilots and demonstrations.....	(20,698,000)	(20,698,000)	(19,808,000)	(40,698,000)	(+20,890,000)
Rural concentrated employment program.	(10,000,000)	(10,000,000)	(—)	(—)	(—)
f. Trade adjustment assistance.....	26,000,000	26,000,000	24,882,000	—	-24,882,000
Total Budget Authority.	3,774,662,000	3,487,045,000	2,993,074,000	2,909,608,000	-83,466,000

1/ Included in 1986 Estimate

Sequestered under P.L. 99-177.....-$149,853,000
Withdrawal pursuant to P.L. 99-190..... -$829,000
Withdrawal pursuant to P.L. 99-239,
Compact of Free Association Act..... -$1,252,000
Program supplemental..... +$74,000,000
Program rescission.....-$416,037,000

TES-8

BUDGET AUTHORITY BY OBJECT

	1985 Comparable	1986 Estimate	1987 Estimate
Total number of full-time permanent positions *.....	1,424	834	834
Full-time equivalent:			
Full-time in permanent positions *..	1,519	984	834
Other positions *.....	130	84	72
Total *.....	1,649	1,068	906
Average ES salary.....	--	--	--
Average GM/GS grade.....	8.7	8.7	8.8
Average GM/GS salary.....	$23,509	$24,109	$24,471
Average salary of ungraded positions..	--	--	--
Personnel Compensation*:			
Permanent Positions.....	$33,726,000	$23,624,000	$19,181,000
Positions other than permanent.....	2,209,000	1,433,000	1,228,000
Other personnel compensation.....	1,657,000	631,000	923,000
Special personal services payments..	182,000	159,000	176,000
Subtotal, personnel compensation.....	37,774,000	25,847,000	21,508,000
Personnel benefits.....	5,043,000	3,661,000	2,833,000
Benefits for former personnel.....	93,000	8,524,000	52,000
Travel and transportation of persons..	1,355,000	940,000	841,000
Transportation of things.....	615,000	390,000	338,000
Space rental.....	259,000	200,000	184,000
Communications, utilities and other rent.....	5,137,000	3,349,000	2,855,000
Printing and reproduction.....	101,000	85,000	84,000
Other services 1/.....	43,989,000	36,179,000	46,072,000
Supplies and materials.....	19,919,000	12,900,000	11,020,000
Equipment.....	1,024,000	692,000	606,000
Land and structures.....	380,000	249,000	211,000
Grants.....	3,658,954,000	2,900,046,000	2,822,994,000
Insurance claims and indemnities.....	19,000	12,000	10,000
Total, budget authority by object.....	3,774,662,000	2,993,074,000	2,909,608,000
Advisory and Assistance Services included above.....	(8,290,000)	(7,461,000)	(8,290,000)

*This includes Federal staff who administer the Job Corps Civilian Conservation Centers at the Departments of Agriculture and Interior and Federal staff who administer the National Commission for Employment Policy and the National Occupational Information Coordinating Committee.

1/ Includes the following amounts for services of other agencies:

	1985	1986	1987
Department of Interior:			
Office of Youth Programs.....	11,848,000	7,321,000	6,420,000
Department of Agriculture:			
Forest Service.....	12,115,000	8,154,000	6,857,000

TES-10

SIGNIFICANT ITEMS IN 1986
HOUSE AND SENATE APPROPRIATIONS COMMITTEES REPORTS

Item	Action Taken or to Be Taken
1986 House Report (No. 99-289)	
Migrant and Seasonal Farmworkers	
"In order to assist farmworkers in obtaining decent housing, the Committee expects the Department of Labor to continue its ongoing farmworker housing program."	Funding will approximate last years's level adjusted for reductions in total program funding required by legislation passed subsequent to the enactment of the 1986 appropriation.
Pilots and Demonstrations	
"Sufficient funds are provided to fund a new national program to serve unemployed and underemployed Hispanic populations. Such a project would be an extension of a successful employment technical assistance and training project funded from 1978 to 1981, and would provide technical assistance to community-based groups and other Hispanic organizations on a multi-state basis. The Committee supports such efforts to focus on the severe problems of Hispanic unemployment, while effectively incorporating community groups in the delivery of services."	The Department intends to fulfill its responsibilities in this area through its contracts with SER, Jobs for Progress and the Puerto Rican Forum.
1986 House CR Report (No. 99-403)	
Dislocated Workers	
"Therefore the Committee directs the Secretary of Labor, to the extent possible, to allot funds appropriated in FY 1986 under Section 301(a) of the Job Training Partnership Act to each state in an amount equal to the difference between that state's allotment pursuant to Section 301(b) for fiscal year 1985 (program year 1985) and the sum of the state's allotment under Section 301(b) for fiscal year 1986 (program year 1986) plus the state's unobligated and unexpended carryover on June 30, 1985 of funds allotted to the state pursuant to Section 301(b) in prior years. The Secretary shall report to the House and Senate Appropriations Committees on the amount of carryover funds which are available to each State under Section 301(b) of the Job Training Partnership Act and if additional appropriations are necessary to maintain current program levels in all States."	As directed by the later Conference Report, the Department will give special consideration to discretionary proposals received from States which will have insufficient unexpended carry-over funds to maintain ongoing levels of job retraining.

SIGNIFICANT ITEMS IN 1986
HOUSE AND SENATE APPROPRIATIONS COMMITTEES REPORTS

Item	Action Taken or to Be Taken
1985 Senate Report (No. 99-82)	
Migrant and Seasonal Farmworkers	
"Effective October 1, 1983, the Department changed the data base upon which State allocations are determined... The Congress provided a supplemental appropriation of $5,117,000 for the current program year (Public Law 98-396) with the expectation that the Department would complete its review of the data base and State allocations and would take appropriate corrective measures prior to June 30, 1985. The Committee is disappointed that the review has not yet been completed. The Committee urges the Secretary to ensure that corrective action is taken expeditiously so that additional supplemental appropriations will not be necessary in the future."	The Department formed an interagency task force with specialists of varied backgrounds to identify issues related to data base and formula selections and to present options which would improve the overall process. The review has been completed and the Department will consider options and recommendations prior to announcing Program Year 1986 allocations.
1986 Senate Report (No. 99-151)	
Summer Youth Employment and Training	
"The Committee expects the Labor Department to keep it informed with respect to availability of carryover funding and advise the Committee if additional appropriations are necessary to maintain current program levels."	Total carryover from the 1985 summer youth program is approximately $150 million. The total available nationwide for the 1986 summer program, including carryover funding and new obligational authority is approximately $85 million more than the total spent last summer. The Department does not anticipate any need for additional funding for the 1986 summer program to maintain levels in all States.
Dislocated Workers	
"...The Committee expects the Secretary to utilize discretionary resources to prevent serious program disruption. Again, the Committee expects the Labor Department to keep it advised with respect to availability of carryover funding, and if additional appropriations become necessary to maintain current program levels in all States."	Priority consideration will be given to applications for projects from States experiencing serious program disruptions as a result of reduced funding levels. A report on Title III carryover funds as of June 30, 1986 will be provided as soon as the information is avail-

TES-12

SIGNIFICANT ITEMS IN 1986
HOUSE AND SENATE APPROPRIATIONS COMMITTEES REPORTS

Item	Action Taken or to Be Taken
"The Committee urges the Secretary to give special attention to programs which aid dislocated workers in the declining wood products industry in the Pacific Northwest."	Every consideration, consistent with established requirements and available resources, will be given to proposals designed to assist dislocated workers in the woods products industry.
"The Committee urges the Secretary to give special attention to programs that would retrain workers in rural areas, such as a proposed State-wide retraining program in Iowa, to be administered through the State's community colleges, to give to farmers, their spouses, and other agriculture-related workers skills which would allow them to reenter the labor force."	Every consideration, consistent with established requirements and available resources, will be given to proposals designed to assist farmers and others through community college administered programs.
Migrant and Seasonal Farmworkers	
"The Committee directs the Department of Labor (DOL) to continue the Farmworker Housing Program at a level no less than that of Program Year 1985."	Funding will approximate last year's level adjusted for any reductions in total program funding required by legislation passed subsequent to the enactment of the 1986 appropriation.
Pilots and Demonstrations	
"The Committee has reviewed the Department of Labor's report on the pressing employment needs of American Samoans... and directs the Department to now establish a plan by which these pressing needs are addressed. ...The Committee further directs the Department to provide the Committee with a report on its efforts to target programs for this population by June 30, 1986."	A report will be forthcoming in June of 1986.
1986 Conference Report (No. 99-402)	
No specific actions recommended.	

SIGNIFICANT ITEMS IN 1986
HOUSE AND SENATE APPROPRIATIONS COMMITTEES REPORTS

Item	Action Taken or to Be Taken
1986 Conference CR Report (No. 99-450)	
Dislocated Workers	
"...the conferences direct that in reviewing applications submitted by States for discretionary funds the Secretary of Labor shall give first priority to those applications submitted by States with insufficient unexpended carryover funds from prior year obligations to maintain ongoing expenditure levels throughout program year 1986. ...The Secretary shall report to the House and Senate Appropriations Committees on the amount of carryover funds which are available to each State under section 301(b) of the Act and if additional appropriations are necessary to maintain current program levels in all States."	Special consideration will be given to applications for projects from States with insufficient carry-over to maintain current service levels. A report on Title III carryover funds as of June 30, 1986 will be provided as soon as the information is available.

TES-14

AUTHORIZING LEGISLATION

Legislation	Budget Request 1986	Budget Request 1987
Authorizing legislation containing indefinite authority		
Job Training Partnership Act (P.L. 97-300)	$2,963,407,000	$2,904,608,000
Sections 236-238, Trade Act of 1974, as amended (P.L. 97-35) 1/	24,882,000	--

Item	Authority	Budget Request 1986	Budget Request 1987
Authorizing legislation containing specific authority			
Job Training Partnership Act (P.L. 97-300):			
Title IVF, National Commission for Employment Policy	$2,000,000	1,914,000	2,000,000
Title IVE, National Occupational Information Coordinating Committee	Not more than $5,000,000	2,871,000	3,000,000

1/ Legislation expired December 19, 1985, but the program is extended to September 30, 1986 by the Fiscal Year 1986 Continuing Resolution, P.L. 99-190.

TES-15

APPROPRIATION HISTORY

	Budget Estimates to Congress	House Allowance	Senate Allowance	Appropriation
1977.....	$4,933,830,000	$5,889,830,000	$5,889,830,000	$5,889,830,000
1978.....	5,234,570,000	3,237,930,000	3,682,930,000	3,440,930,000
1979.....	5,252,828,000	1/	1/	6,885,288,000
1980.....	6,841,754,000	6,335,254,000	6,423,055,000	6,493,293,000
1981.....	6,556,935,000	6,156,763,000	---	7,094,787,000
1982.....	3,237,655,000	3,671,129,000	3,114,168,000	3,023,201,000
1983.....	---	1/	1/	4,010,426,000
1984.....	3,643,330,000	6,579,514,000	6,399,408,000	6,546,225,000
1985.....	3,610,624,000	3,849,079,000	3,780,219,000	3,774,662,000
1986 2/.....	2,805,521,000	3,621,045,000	3,453,677,000	3,487,045,000
Sequestered under P.L. 99-177.....				-149,853,000
Withheld pursuant to the Compact of Free Association.....				-1,252,000
Withheld pursuant to Section 515..				-829,000
Proposed FY 1986 Program Supplemental.....	74,000,000			
Proposed FY 1986 Program Rescission.....	-416,037,000			
1987.....	2,909,608,000			

1/ Not considered due to lack of authorizing legislation.

2/ Does not include reductions pursuant to P.L. 99-177, P.L. 99-190, and P.L. 99-239.

ANALYSIS OF 1986 APPROPRIATION/SUPPLEMENTAL/RESCISSION

	1986 Appropriation	Gramm-Rudman Hollings P.L. 99-177	Section 515/ C.F.A. Withholdings	1986 Presently Available	1986 Proposed Supplemental/ Rescission	1986 Revised Request	FY 1987 Request	Increase or Decrease
Grants to States.....	$2,427,700,000	-$112,937,000	-$1,252,000	$2,313,511,000	-$133,976,000	$2,379,535,000	$2,348,000,000	-$31,535,000
a. Block grant.....	1,863,151,000	-80,066,000	-1,155,000	1,781,930,000	--	1,781,930,000	1,820,000,000	+38,070,000
b. Summer youth employment and training program..	664,549,000	-28,573,000	-50,000	635,926,000	-207,976,000	427,950,000	428,000,000	+50,000
c. Dislocated worker assistance.....	100,000,000	-4,298,000	-47,000	95,655,000	74,000,000	169,655,000	100,000,000	-69,655,000
Federally administered programs.....	859,345,000	-36,916,000	-829,000	821,600,000	-208,061,000	613,539,000	561,608,000	-51,931,000
a. Native Americans.....	62,243,000	-2,676,000	--	59,567,000	-725,000	58,842,000	60,060,000	+1,218,000
b. Migrant and seasonal farmworkers.....	60,357,000	-2,595,000	--	57,762,000	-703,000	57,059,000	58,240,000	+1,181,000
c. Job Corps.....	440,000,000	-27,520,000	--	412,480,000	-196,487,000	415,993,000	351,736,000	-64,257,000
d. Veterans' employment....	9,667,000	-416,000	--	9,251,000	-576,000	8,675,000	10,494,000	+1,819,000
e. National activities.....	61,078,000	-2,591,000	-829,000	57,658,000	-9,570,000	48,088,000	81,078,000	+32,990,000
Training and technical assistance.....	(5,900,000)	(-254,000)	(--)	(5,646,000)	(--)	(5,646,000)	(5,900,000)	(+254,000)
Labor market information.....	(4,290,000)	(-184,000)	(--)	(4,106,000)	(--)	(4,106,000)	(4,290,000)	(+184,000)
Research and evaluation.....	(15,190,000)	(-618,000)	(-829,000)	(13,743,000)	(--)	(13,743,000)	(25,190,000)	(+11,447,000)
NCEP.....	(2,000,000)	(-86,000)	(--)	(1,914,000)	(--)	(1,914,000)	(2,000,000)	(+86,000)
NOICC.....	(3,000,000)	(-129,000)	(--)	(2,871,000)	(--)	(2,871,000)	(3,000,000)	(+129,000)
Pilots and demonstrations.....	(20,698,000)	(-890,000)	(--)	(19,808,000)	(--)	(19,808,000)	(40,698,000)	(+20,890,000)
Rural concentrated employment programs.	(10,000,000)	(-430,000)	(--)	(9,570,000)	(-9,570,000)	--	--	--
f. Trade adjustment assistance.....	26,000,000	-1,118,000	--	24,882,000	--	24,882,000	--	-24,882,000
Total, budget authority.....	3,487,045,000	-149,853,000	-2,081,000	3,335,111,000	-342,037,000	2,993,074,000	2,909,608,000	-83,466,000

EMPLOYMENT AND TRAINING ADMINISTRATION

TRAINING AND EMPLOYMENT SERVICES

JUSTIFICATION

	1985 Comparable	1986 Appropriation	1986 1/ Estimate	1987 Estimate	Increase or Decrease
Grants to States	$2,933,200,000	$2,627,700,000	$2,379,535,000	$2,348,000,000	-$31,535,000
a. Block grant	1,886,151,000	1,863,151,000	1,781,930,000	1,820,000,000	+38,070,000
b. Summer youth employment and training program	824,549,000	664,549,000	427,950,000	428,000,000	+50,000
c. Dislocated worker assistance	222,500,000	100,000,000	169,655,000	100,000,000	-69,655,000
Federally administered programs	841,462,000	859,345,000	613,539,000	561,608,000	-51,931,000
a. Native Americans	62,243,000	62,243,000	58,842,000	60,060,000	+1,218,000
b. Migrant and seasonal farmworkers	65,474,000	60,357,000	57,059,000	58,240,000	+1,181,000
c. Job Corps	617,000,000	640,000,000	415,993,000	351,736,000	-64,257,000
d. Veterans' employment	9,667,000	9,667,000	8,675,000	10,494,000	+1,819,000
e. National activities	61,078,000	61,078,000	48,088,000	81,078,000	+32,990,000
Training and technical assistance	(5,900,000)	(5,900,000)	(5,646,000)	(5,900,000)	(+254,000)
Labor market information	(7,290,000)	(4,290,000)	(4,106,000)	(4,290,000)	(+184,000)
Research and evaluation	(12,190,000)	(15,190,000)	(13,743,000)	(25,190,000)	(+11,447,000)
National Commission for Employment Policy	(2,000,000)	(2,000,000)	(1,914,000)	(2,000,000)	(+86,000)
National Occupational Information Coordinating Committee	(3,000,000)	(3,000,000)	(2,871,000)	(3,000,000)	(+129,000)
Pilots and demonstrations	(20,698,000)	(20,698,000)	(19,808,000)	(40,698,000)	(+20,890,000)
Rural concentrated employment program	(10,000,000)	(10,000,000)	(—)	(—)	(—)
f. Trade adjustment assistance	26,000,000	26,000,000	24,882,000	--	-24,882,000
Total Budget Authority	3,774,662,000	3,487,045,000	2,993,074,000	2,909,608,000	-83,466,000

1 Included in 1986 Estimate:

Sequestered under P.L. 99-177	-$149,853,000
Withdrawal pursuant to P.L. 99-[illegible]90	-$829,000
Withdrawal pursuant to P.L. 99-239	-$1,252,000
Program supplemental	+$74,000,000
Program rescission	-$416,037,000

TES-18

EMPLOYMENT AND TRAINING ADMINISTRATION

TRAINING AND EMPLOYMENT SERVICES

JUSTIFICATION

General Statement

The Training and Employment Services appropriation provides for a decentralized system of skill training and related services directed toward increasing the post-program employment and earnings of economically disadvantaged and dislocated workers. It is comprised of two activities — Grants to States and Federally Administered Programs.

Grants to States for Job Training Partnership Act (JTPA) Block Grants, Dislocated Worker Assistance Programs and the Summer Youth Employment and Training Program give Governors the primary responsibility for the operation of training programs in their States. In partnership with the private sector and all levels of government, new training programs have been implemented which are designed to increase participant skills and competencies as well as private sector placements.

Separate programs designed to meet the training and employment needs of specific population segments experiencing unique employment problems account for most of the funds requested for Federally administered programs. Programs for Indians and Native Americans, migrant and seasonal farmworkers and veterans are conducted under JTPA. The Job Corps provides training opportunities for disadvantaged youth.

AVERAGE ENROLLMENT LEVELS

	Program Year 1985	Program Year 1986	Program Year 1987
Grants to States			
a. Block grant	350,000	333,000	319,000
b. Summer youth employment and training program.....1/	785,000	467,300	414,300
c. Dislocated workers	72,500	85,500	53,100
Federally administered programs			
a. Job Corps	38,000	23,700	22,000
b. Other programs	36,800	31,300	28,700

1/ Number of participants served during 1986, 1987 and 1988 summers.

GRANTS TO STATES

	1985 Comparable	1986 Appropriation	1986 Estimate	1987 Estimate	Increase or Decrease
a. Block grant....	$1,886,151,000	$1,863,151,000	$1,781,930,000	$1,820,000,000	+$38,070,000
b. Summer youth employment and training program.....	824,549,000[1/]	664,549,000	427,950,000	428,000,000	+50,000
c. Dislocated worker assistance...	222,500,000	100,000,000	169,655,000	100,000,000	-69,655,000
Total Budget Authority.....	2,933,200,000	2,627,700,000	2,379,535,000[2/]	2,348,000,000	-31,535,000

1/ Includes $100,000,000 for use in the summer of 1985 and $724,549,000 for the summer of 1986.

2/ Included in 1986 Estimate above:

Sequestered under P.L. 99-177	-$112,937,000
Withdrawal pursuant to P.L. 99-239	-$1,252,000
Program supplemental	+$74,000,000
Program rescission	-$207,976,000

Introduction

This activity includes three State operated programs authorized under JTPA: the basic Block Grant training program under Title IIA; the Summer Youth Employment and Training program under Title IIB; and the Dislocated Worker Assistance Program under Title III.

Grants to States programs provide training and related education and employment services to economically disadvantaged adults (including welfare recipients), to youth, and to dislocated workers. Training and supportive services are designed to provide individuals with marketable skills leading to regular jobs in the private sector. Funding for these programs has been distributed to date largely on a formula basis. In FY 1987, funding under the basic Title II-A Block Grant program will continue to be distributed by formula. To improve targeting of summer program funds, resources will be distributed to those areas with the highest concentration of disadvantaged youth. Title III Dislocated Worker Assistance funds will be distributed at the discretion of the Secretary based on proposals from the States This will provide the Secretary with maximum flexibility to target these resources where they can be used more effectively.

In Program Year 1985, the second full year of operation under JTPA, activities focused on assessing program results and making adjustments as necessary. In 1986, Governors will continue assessing program results and implementing program refinements. Innovative efforts are expected, especially in providing services to youth. Program Year 1987 will continue these efforts.

TES-20

1987 Budget Request

Block Grant

The key principles underlying the JTPA Block Grant program budget request are:

- The primary purpose of the Block Grant program is providing skill training and unsubsidized employment. At least 70 percent of funds available to a service delivery area must be used for training.

- The private sector has a major role in the oversight, planning, decision making, and operatio of programs at the local level.

- Governors have primary responsibility for administration and oversight of programs in their States. States have flexibility in design and management of systems and programs. The Federal role consists of monitoring State activities to ensure compliance with JTPA regulations and to provide guidance and assistance as needed.

Because of these principles, training is of a high quality and more pertinent to employer and labor market needs. Program results indicate that job placement rates will continue to be higher than in the past and a greater proportion, approximately three-fourths, of total available funds will be spent on training as opposed to administration and supportive services. Overall, classroom training will continue as the most common initial assignment.

The Program Year 1987 request for the Block Grant is $1,820,000,000, a 2 percent increase over FY 1986 funding. An annual average enrollment of 319,000 at a service year cost of $5,723 is expected. It is anticipated that over one million participants will be served in employment and training activities in FY 1987. More than 500,000, or 64 percent, of the 800,000 participants who will be terminating from training activities during FY 1987 are expected to enter employment.

Total estimated levels of participation and related costs for Program Years 1985, 1986 and 1987 are as follows:

	Average Enrollment	Total Participants	Total Terminations	Total Entered Employment	Service Year Cost
FY 1985	350,000	1,133,700	863,700	552,800	$5,260
FY 1986	533,000	1,094,600	824,600	527,700	5,484
FY 1987	319,000	1,060,000	800,000	512,000	5,723

Summer Youth Employment and Training Program

The proposed level of $428,000,000 for the Summer Program will provide 414,300 jobs for needy youth in the summer of 1988 at a cost $1,033 per participant. The increased cost over that experienced during the 1986 and prior summers reflects increased emphasis by program sponsors on basic literacy training and vocational exploration programs in addition to subsidized employment. The Department's proposal provides that these funds be targeted to areas where there are high concentrations of disadvantaged youth. General budgetary restraint calls for this reduced overall funding level which will be somewhat compensated for by the projected declining youth population and by the improving economy which is expected to continue to generate more summer jobs from the private sector. Furthermore, current underutilization of funds suggests that many areas are unable to spend funds presently made available to them. The targeting of summer youth resources to those areas with large numbers of disadvantaged youth and fewer available

unsubsidized summer jobs will maintain current funding levels in areas most in need and will improve overall utilization of available resources.

The Department intends to work with Congress to accomplish the desired targeting of funds.

Total estimated participation and related costs for the 1986, 1987 and 1988 summers follow:

	Total Participants	Participant Cost
1986 (FY 1985)	785,000	$984
1987 (FY 1986)	467,300	1,033
1988 (FY 1987)	414,300	1,033

Dislocated Worker Assistance Program

The Program Year 1987 request for the Dislocated Worker Assistance Program is $100,000,000. The agency request of $100,000,000 reflects a decrease of $69,702,000 from the revised FY 1986 level of $169,702,000.

The requested funds will be awarded by the Secretary of Labor based on proposals from States experiencing particularly severe unemployment as a result of mass layoffs, natural disasters or plant closings. Individuals eligible for program participation are those U.S. citizens who have been terminated or received layoff notices and are unlikely to return to their former occupations or industries, including those displaced due to increased imports. No formula distributions to States will be made. This will provide increased flexibility to target resources more efficiently and respond more quickly to special problem situations.

It is estimated that an average enrollment of 53,100 will be maintained at a service year cost of $2,968 throughout the program year. Approximately 250,400 individuals will participate. Of these, 136,500 will be in programs financed using Program Year 1986 appropriated funds carried into Program Year 1987. Approximately two-thirds of the individuals leaving the program are expected to enter employment.

Total estimated levels of participation and related costs for Program Years 1985, 1986 and 1987 follow:

	Average Enrollment	Total Participants	Total Terminations	Entered Employment	Year Cost
FY 1985	72,500	285,600	215,600	140,100	$2,728
FY 1986	85,500	331,600	243,600	158,300	2,844
FY 1987	53,100	250,400	197,300	128,200	2,968

1986 Program Year

Block Grant

The FY 1986 (July 1, 1986 - June 30, 1987) funding level for the Block Grant will be reduced from an enacted level of $1,863,151,000 to $1,781,930,000. This level results from the sequestration required by P.L. 99-177 (Gramm-Rudman-Hollings) and funds withheld pursuant to enactment of the Compact of Free Association (CFA). An estimated average enrollment of 333,000, at a service year

cost of $5,484 will be maintained. An estimated 1,094,600 participants will be served. Program innovations aimed at improving services to youth are expected.

Summer Youth Employment and Training Program

The FY 1986 level for the Summer Youth Employment and Training Program will be reduced from an enacted level of $664,549,000 to $427,950,000 and will fund the summer youth program for the summer of 1987. This level reflects a rescission of $207,976,000, a reduction of $28,573,000 required by P.L. 99-177, and a $50,000 reduction required by the enactment of the CFA.

It is expected that the program will serve 467,300 economically disadvantaged youth at a unit cost of $1,033.

Dislocated Worker Assistance Program

A supplemental request for $74,000,000 will be submitted to increase the FY 1986 funding level for Dislocated Worker Assistance from an enacted level of $100,000,000 to $169,655,000 ($4,298,000 will be sequestered as required by P.L. 99-177 and a CFA reduction of $47,000 withdrawn). The supplemental funds will be awarded by the Secretary based on proposals to assist all dislocated workers, but especially trade-impacted workers.

An average enrollment of 85,500 at a service year cost of $2,844 is projected for FY 1986. Approximately 331,600 participants will be enrolled throughout the year, of whom an estimated 40,000 will be in programs funded by the supplemental appropriation requested. Approximately one-half of the $74,000,000 supplemental will be spent during the program year.

1985 Program Year

Block Grant

The FY 1985 funding level for the Block Grant is $1,886,151,000. It is estimated that this amount will provide approximately 350,000 average enrollments at a unit cost of $5,260. An estimated 1,133,700 participants will be served in employment and training activities during FY 1985. Of the estimated 863,700 terminations during the program year, at least 64 percent, or over 552,800 will enter employment.

Summer Youth Employment and Training Program

The FY 1985 funding level for the Summer Youth Employment and Training Program is $724,549,000, and will fund the Summer Youth Program during the summer of 1986. It is anticipated that the program will serve 785,000 economically disadvantaged youth at a unit cost of $984. Approximately $772,000,000, including $144,000,000 carried over from the 1985 summer, will be spent during the program year.

Dislocated Worker Assistance Program

The FY 1985 funding level for the Dislocated Worker Assistance Program is $222,500,000, which will provide an estimated average enrollment of 72,500 in training, job search and relocation assistance at a service year cost of $2,728. Total expenditures of $198,000,000 are projected for the program year, including $140,000,000 from prior years' appropriations.

Changes for 1987

Activity Changes:

Built-in..... +$85,870,000

Program..... -$117,405,000

Built-in increases of $85,870,000 represent the costs related to expected price increases.

Program Restorations

Proposal: To restore the amounts withdrawn as a result of P.L. 99-239, the Compact of Free Association Act of 1985.

Rationale: The above action decreased 1986 funds available for Grants to States programs. Restoration of these funds avoids a permanent program reduction.

Program Effects: Funds which would have gone to the Trust Territories of the Pacific Islands other than the Republic of Palau will be provided to the remaining State grantees.

Program Increase: Estimate: +$1,305,000

Block Grant

Proposal: To reflect reduced program levels for the Block Grant program authorized under Title IIA of JTPA.

Rationale: The amount requested is 98 percent of the total appropriated for PY 1986 and 2 percent more than the budget authority made available. This small decrease is consistent with Administration efforts to reduce the growth of Federal spending.

Program Effects: The reduced request when combined with expected cost increases will result in a 4 percent decrease in the average enrollment level maintained nationally during PY 1987 and a corresponding decrease in the number of participants served.

Base: Estimate: $1,860,335,000

Program Decrease: Estimate: -$41,541,000

Dislocated Worker Assistance Program

Proposal: To reflect discontinuation of the formula grant portion of the program and continuation of the discretionary portion at about the 1986 level after the proposed supplemental.

Rationale: The need for programs to provide job training and related services to dislocated workers varies greatly from one community to another. Because of this and continued efforts to reduce Federal spending, appropriation language is requested to allow the Secretary to distribute all of the funds requested at his discretion, thereby focusing available resources on areas with the most severe difficulties.

TES-24

Program Effects: Nationally, the average enrollment levels maintained and the number of dislocated workers served will decrease. However, it is expected that those communities with the most severe problems may receive increased resources as a result of the more efficient distribution of assistance and timely response to special problem situations which arise throughout the year.

Base: Estimate: $177,120,000

Program Decrease: Estimate: -$77,169,000

FEDERALLY ADMINISTERED PROGRAMS

	1985 Comparable	1986 Appropriation	1986 Estimate 1/	1987 Estimate	Increase or Decrease
a. Native Americans.....	$62,243,000	$62,243,000	$58,842,000	$60,060,000	+$1,218,000
b. Migrant and seasonal farmworkers.....	65,474,000	60,357,000	57,059,000	58,240,000	+1,181,000
c. Job Corps.....	617,000,000	640,000,000	415,993,000	351,736,000	-64,257,000
d. Veterans' employment.....	9,667,000	9,667,000	8,675,000	10,494,000	+1,819,000
e. National activities.....	61,078,000	61,078,000	48,088,00	81,078,000	+32,990,000
Training and technical assistance.....	(5,900,000)	(5,900,000)	(5,646,000)	(5,900,000)	(+254,000)
Labor market information....	(7,290,000)	(4,290,000)	(4,106,000)	(4,290,000)	(+184,000)
Research and evaluation.....	(12,190,000)	(15,190,000)	(13,743,000)	(25,190,000)	(+11,447,000)
National Commission for Employment Policy.....	(2,000,000)	(2,000,000)	(1,914,000)	(2,000,000)	(+86,000)
National Occupational Information Coordinating Committee.....	(3,000,000)	(3,000,000)	(2,871,000)	(3,000,000)	(+129,000)
Pilots and demonstrations.	(20,698,000)	(20,698,000)	(19,808,000)	(40,698,000)	(+20,890,000)
Rural concentrated employment program.....	(10,000,000)	(10,000,000)	(—)	(—)	(—)
f. Trade adjustment assistance.....	26,000,000	26,000,000	24,882,000	—	-24,882,000
Total Budget Authority.....	841,462,000	859,345,000	613,539,000	561,608,000	-51,931,000

1/ Included in 1986 Estimate above:

Sequestered under P.L.99-177.....	-$36,916,000
Withdrawal pursuant to P.L.99-190.....	-$829,000
Program rescission.....	-$208,061,000

TES-26

Introduction

Most of the programs and activities for which funds are requested in this activity are authorized by Title IV of JTPA. These include: programs for Native Americans, programs for migrant and seasonal farmworkers, the Job Corps, and Veterans' employment programs. Also included are national activities such as training and technical assistance, research and evaluation, labor market information, the National Occupational Information Coordinating Committee (NOICC), the National Commission for Employment Policy (NCEP), and pilots and demonstration activities. Funding for these programs is made available on a program year basis running from July 1 of the appropriation year through June 30 of the following year.

Trade adjustment assistance programs have been funded in this activity. They were authorized by the Trade Act of 1974, as amended, and include job search, retraining, and relocation assistance activities. This program was financed on a fiscal year basis.

Given the diverse nature of these programs and activities, they are discussed separately below.

Native Americans

This program is designed to improve the economic well-being of Native Americans (Indians, Eskimos, Aleuts, and Native Hawaiians) through the provision of training, work experience, and other employment-related services and opportunities that are intended to lead the participants to permanent, unsubsidized jobs. The Department of Labor issues formula grants to Indian tribes and other Native American groups whose eligibility for such grants is established in accordance with the Department's regulations.

Approximately 190 formula grants will be issued each year to Indian tribes and reservations, Native Alaskan groups, Native Hawaiian groups, and nonprofit Indian groups located mainly in urban areas. Section 401(j) of JTPA specifies that an amount equal to 3.3 percent of the amount available for the Block Grant program be reserved for these programs.

Migrant and Seasonal Farmworkers

This program is designed to serve members of economically disadvantaged families whose principal livelihood is gained in migratory and other forms of seasonal farmwork. The goal of the program is to alleviate the chronic unemployment and underemployment being experienced by farmworker families. Through training and other employability development services, the program prepares considerable numbers of farmworkers for stable, year-round employment, both in and outside the agricultural industry.

The program also provides health care, day care and other supportive services for farmworkers who choose to stay in agriculture. At least 94 percent of each year's appropriation is issued for competitively awarded grants to qualifying public agencies and nonprofit groups. Funds are allocated to States according to a population-based formula. The remainder of each year's appropriation is set aside for technical assistance and other special projects to benefit seasonal farmworkers. Section 402 (f) of JTPA specifies that 3.2 percent of the amount available for the Block Grant program be reserved for these programs.

Job Corps

Job Corps is a comprehensive residential training program designed to increase the employability of disadvantaged young people, aged 14 to 21. At Job Corps Centers, economically disadvantaged, unemployed, and out-of-school young people are

provided basic education, vocational training, and supportive services in a highly structured environment. Placement assistance is provided when youth terminate from the program.

Veterans' Employment

Section 441 of JTPA requires the Secretary to conduct, directly or through grants or contractual agreements, special programs designed to meet unique employment and training needs of disabled, Vietnam-era and recently separated veterans. The Act specifies the funding level for programs under this part relative to other Federally administered programs' funding levels, and also specifies that the programs be administered through the Assistant Secretary for Veterans' Employment and Training (ASVET). In implementing this section of JTPA, regulations require that no less than 80 percent of each year's appropriation be competitively awarded for project grants to State agencies designated by Governors and/or public agencies which administer other JTPA programs. The remainder of each year's appropriation is utilized for nationwide public information activities and research projects and a mix of competitive and noncompetitive grants for multi-state projects.

National Activities

Funds requested for these activities will be used to support training and technical assistance, research and evaluation, pilots and demonstrations, including multi-state programs, and labor market information programs most appropriately administered at the national level. Within this area, funds are also used to support the activities of the National Commission for Employment Policy (NCEP) and the National Occupational Information Coordinating Committee (NOICC).

In Program Years 1985 and 1986, Congress directed that funds provided for National Activities be used to supplement Block Grant and Summer sub-state allotments provided by Governors to the four Rural Concentrated Employment Programs service delivery areas.

Trade Adjustment Assistance

The Trade Adjustment Assistance (TAA) program focused on training, job search, relocation and other reemployment needs of workers certified under the program.

1987 Budget Request

Native Americans

The 1987 request for the Indian and Native Americans Program is $60,060,000. This request will maintain an estimated average enrollment of 10,200 at a $5,883 unit cost. Increased emphasis on private sector placements and projected economic improvement are expected to result in an increase in placements.

Migrant and Seasonal Farmworkers

The 1987 request for the Migrant and Seasonal Farmworker Program is $58,240,000. This level will yield a training and employment average enrollment of 9,300 at a unit cost of $4,549. Supportive services will be provided on approximately 110,800 occasions at a cost of $143 per occasion.

Job Corps

The 1987 request of $351,736,000 for Job Corps would maintain an enrollment capacity of 22,000 full-time training positions. This is the same level that would be reached after the reduction in training capacity that is being proposed to start toward the end of Program Year 1985 and be completed mid-year in Program Year 1986.

At this level of operation, approximately 38,000 new individuals would become enrolled in the program to replace the same number of corpsmembers who would leave the program in 1987. The typical corpsmember would stay in the program for an average of 7 months. Of those who leave the program in 1987, about 28,000 (more than 70 percent) would obtain jobs or enter further education upon termination from Job Corps.

Of the $351,700,000 in budget authority requested, about $15,000,000 would be allocated to capital improvements at Job Corps facilities and the remaining funds would cover operating expenses. The operating expenses translate to a unit cost of $15,306 per corpsmember service year.

Veterans' Employment

The 1987 request level of $10,494,000 reflects an increase in funding for other Federally administered programs and activities. This increase will allow for more intensive efforts to assist the long-term unemployed among the Veteran target groups. Emphasis will be placed on targeting grants to geographic areas and subgroups of the eligible population which have not benefited significantly from general economic improvements. Grants will continue to be awarded on a competitive basis, with special consideration given to applicants providing matching funds. Approximately 9,500 veterans are expected to be served at a unit cost of $1,100.

National Activities

Training and Technical Assistance

The FY 1987 request of $5,900,000 will be used to market successful models and approaches to training with special emphasis on those that further linkages with other Federally-supported human resource development activities. Other technical assistance and training activities will involve a continuation of the partnership arrangements with national level organizations with an interest in improving the operation of JTPA programs, the provision of direct TAT with an emphasis on facilitating services to youth, and development and dissemination of successful program models.

Labor Market Information

The request for labor market information activities for FY 1987 is $4,290,000. This will provide for labor market information collection, development and dissemination, and technical assistance to support the planning and performance of job training requirements. No new initiatives are proposed.

Research and Evaluation

The budget request for research and evaluation for Program Year 1987 is $25,190,000, an increase of $11,447,000 over the amount presently available for 1986. This level of funding will provide for support of the National Longitudinal Survey (NLS), studies to support the further development of JTPA performance standards, and efforts pertaining to special problems of economically disadvantaged youth and to the technology of training, including the military training system. Other work to be carried out will focus on the evaluation of programs administered by ETA. These evaluation activities will include work on developing net impact measures through continuation of the JTPA field experiments, which will begin in 1986. A portion of these funds will also be used to evaluate specific pilots and demonstrations in order to provide the necessary feedback on the success or failure of the strategies being tested.

National Commission for Employment Policy

In Program Year 1987, the $2,000,000 requested for NCEP will allow: (1) dissemination of the Commission's report on the relationships between the internationalizations of the economy and employment, (2) the initiation of the third project in the long-time work plan, "Changes in the Workplace" -- the relationship between changes in consumer preferences and employment, (3) the continuation of the evaluation of JTPA, and (4) the writing and publication of the annual report.

National Occupational Information Coordinating Committee

In 1987, using the $3,000,000 requested and funds available from other agencies, the National Occupational Information Coordinating Committee (NOICC) will continue to support the development and enhancement of State and local occupational information systems by obligating at least 75 percent of the NOICC funds to States through Basic Assistance Grants and through technical assistance. Special attention will be focused on improving and enhancing computerized systems providing occupational supply/demand data analysis and information to meet needs of planners and administrators of employment and vocational training programs. Efforts will continue to support the development and maintenance of career information delivery systems and the incorporation of military occupational and training information into such systems. Remaining funds will support NOICC staff salaries and expenses, technical assistance and training efforts for States operating career and occupational information systems, and improving communication and coordination among Federal agencies involved in using and/or producing occupational information.

Pilots and Demonstrations

The budget request for the Pilots and Demonstration (P&D) Program for Program Year 1987 is $40,698,000, an increase of $20,890,000 over the amount presently available for 1986. This level of funding will provide for the expansion of ETA's examination of labor market structural changes, and employment and training issues requiring national attention and coordination. Efforts will focus on projects pertaining to increasing services to youth, reemployment of dislocated workers, and the innovative application of high technology techniques within the JTPA system. Other activities will include continuation of programs of demonstrated effectiveness such as those multi-state programs serving special population groups, training demonstrations, and partnership programs.

Trade Adjustment Assistance

In 1987, no funds are requested for this program for trade adjustment assistance activities. The program expired December 19, 1985, but is presently extended by the 1986 Continuing Resolution (P.L. 99-190) through September 30, 1986. Training and services for trade-impacted workers will be emphasized under the JTPA Dislocated Worker Assistance program.

1986 Program Year

Native Americans

The 1986 funding level will be reduced from an enacted level of $62,243,000 to $58,842,000. This reduction represents a sequestration of $2,676,000 as required by P.L. 99-177 and a rescission of $725,000, resulting in a decrease of 600 service years of training and employment. The rescission brings the funding for the Native Americans program in line with the statutory requirement of JTPA that 3.3 percent of the amount available for the Block Grant be reserved for this program. The 1986 program will focus on training and subsequent placement in the private sector. Activities which lead to unsubsidized employment, such as on-the-job training and classroom training, will comprise a large percent of the overall program. This

funding level will enable approximately 10,400 training and employment service years to be provided at a cost of $5,691 per service year.

Migrant and Seasonal Farmworkers

The 1986 funding level will be reduced from an enacted level of $60,357,000 to $57,059,000. This reduction represents a sequestration of $2,595,000 as required by P.L. 99-177 and a rescission of $703,000, decreasing the number of service years provided in 1986 by 560. The rescission brings the funding for this program in line with the statutory requirement of JTPA. The 1986 Migrant and Seasonal Farmworkers Program will involve increased emphasis on training and placement in the private sector. The average enrollment level is expected to be 9,400 at a unit cost of $4,401. Supportive services will be provided on 115,500 occasions at a unit cost of $137.

Job Corps

The Program Year 1986 appropriation of $640,000,000 is being reduced by $27,520,000 as a result of sequestration under P.L. 99-177. A further reduction is being proposed in the form of a requested rescission of $196,487,000, thus yielding a Program Year 1986 budget authority estimate of $415,993,000. Funded at this level, the Job Corps would be reduced from its current enrollment capacity of 40,500 to a new capacity of 22,000 full-time training positions. This capacity reduction would be achieved by closing the least efficient and most costly centers. After the closing centers have been selected, the capacity reduction process would begin with a freeze on new enrollments at these centers effective in May 1986. The center closings would then be accomplished on a staggered basis starting in July 1986 and ending by no later than December 1986. This staggering of center closings is necessary to ensure the orderly transfer of corpsmembers from closing centers to centers that will remain open.

Of the $415,993,000 budget authority total, about $27,000,000 will be needed for one-time phase-down costs (severance pay, maintenance and security of vacated facilities, disposition of equipment, and so forth), another $17,000,000 will be allocated to capital improvements at the facilities remaining open, and the balance of $372,000,000 will cover operational expenses. Because enrollment levels will be descending rapidly as centers are closed each month, Job Corps unit costs will be skewed in Program Year 1986. However, at the centers that will remain open, which will have a combined enrollment capacity of 22,000, the operational costs in Program Year 1986 will be about $323,800,000 which translates to a unit cost of $14,718 per corpsmember service year.

Veterans' Employment

The revised level of $8,675,000, includes a reduction of $416,000 sequestered under P.L. 99-177 and $576,000 in a proposed rescission, to bring funding for this program in line with the statutory requirement in JTPA. At the revised level emphasis will be placed in FY 1986 on projects which strengthen the linkages among existing service providers, such as the Veterans Administration, State Job Service agencies, and JTPA service delivery area agencies, in recognition of the fact that the majority of disabled and Vietnam-era veterans still unemployed are those with serious and complex barriers to securing permanent employment. Competitive procedures will continue to be utilized for selection of grantees in order to ensure that the most cost-effective projects are funded. Approximately 8,800 veterans are expected to be served at a unit cost of approximately $1,000.

National Activities

Training and Technical Assistance

The Program Year 1986 enacted level of $5,900,000 for the Training and Technical Assistance program will be reduced by $254,000 sequestered under P.L. 99-177. The reduction will result in the elimination of lower priority technical assistance activities. The revised level of $5,646,000 will fund a variety of technical assistance and training activities which will allow for the participation of the partners in the JTPA system on an individual basis, and will also benefit the system as a whole. This will be part of an overall effort to reduce previous activities aimed at JTPA implementation, while increasing activities aimed at improving services provided to youth.

Labor Market Information

The 1986 funding level for the Labor Market Information program will be reduced from the enacted level of $4,290,000 to $4,106,000 due to the sequestration of $184,000 pursuant to P.L. 99-177. This will result in a slight reduction of allocations to State agencies for State and local planning information.

Research and Evaluation

The revised FY 1986 budget level of $13,743,000 reflects reductions of $618,000 sequestered under P.L. 99-177, and $829,000 in advisory and assistance services withheld under P.L. 99-190. These decreases in funding will substantially reduce the amounts previously planned for contracts for basic labor market research activities carried on in this program, including the National Longitudinal Survey (NLS). Research and evaluation activities will focus on developing performance standards and evaluation functions in support of the employment and training systems under JTPA. Program Year 1986 performance standards for JTPA will be issued and new reporting requirements will be effected. Evaluation activities will emphasize the implementation of the JTPA field experiments and restructuring of the quick turnaround portion of the Job Training Longitudinal Survey. Other evaluation activities will include studies of the JTPA Block Grant 22 percent setaside and Title III project evaluations.

National Commission for Employment Policy

In Program Year 1986, the $1,914,000 available for NCEP will allow pursuit of three objectives: (1) to carry out its legislative mandate to evaluate the usefulness of performance standards as measures of desired performance and to evaluate the impacts of such standards on the choice of who is served, what services are provided, and the cost of such services in service delivery areas; (2) to provide advice and information on policy and practical service delivery issues to the Administration, Congress, the Department of Labor and other interested parties; and (3) to disseminate information gathered from research carried on in 1985 on the impact of computer-based equipment on jobs and training. Particular emphasis will be placed on the Job Training Partnership Act and the impact of technological change and trade on employment.

National Occupational Information Coordinating Committee

In 1986, the National Occupational Information Coordinating Committee (NOICC) is supporting the development and enhancement of State and local occupational information systems by the obligation of over 75 percent of the funds directly through Basic Assistance Grants and by providing technical assistance to States for the implementation of such systems. The remaining funds will be used for NOICC staff salaries and expenses, and for improving communication and coordination among Federal agencies that use and/or produce occupational information.

TES-32

Pilots and Demonstrations

The revised 1986 level of $19,808,000 in the Pilots and Demonstration program reflects a reduction of $890,000 sequestered pursuant to P.L. 99-177. In addition to the ongoing partnership, training demonstration, and handicapped activities, the Pilots and demonstration program will pursue innovative approaches and initiatives for providing training and employment to youth and increased joint initiatives with other agencies (Federal, State and local).

Rural Concentrated Employment Programs

A 1986 requested rescission of $9,570,000 in conjuction with the sequestration of $430,000 will discontinue set-aside funding for the four Rural Concentrated Employment Programs. These areas will continue to receive funding from Governors through the sub-state allocation process required by JTPA.

Trade Adjustment Assistance

A total of $24,882,000 is being provided to States for Trade adjustment assistance activities. This amount includes the sequestration of $1,118,000 required by P.L. 99-177. It is estimated that about 3,500 training opportunities will be available to workers certified eligible for assistance. In addition, it is expected that about 700 workers will receive job search assistance and 900 workers will be provided relocation assistance. An estimated 20,000 workers certified for adjustment assistance will be provided reemployment services.

1985 Program Year

Native Americans

Funding of $62,243,000 was provided for the Native Americans program in Program Year 1985. JTPA systems and program directions are fully implemented, and activity levels and costs have stabilized. Development of performance standards and their implementation on a trial basis is continuing. The Program Year 1985 funding is enabling approximately 11,300 employment and training average enrollments to be provided at a $5,511 unit cost.

Migrant and Seasonal Farmworkers

Funding of $65,474,000 was provided for the Migrant and Seasonal Farmworkers program in Program Year 1985. This includes a $5,117,000 supplemental appropriation provided by Congress. The Program Year funding level provides for an estimated average enrollment of 11,000, at a unit cost of $4,262. In addition, suppportive services are provided on approximately 141,000 occasions at a unit cost of $131.

Job Corps

In Program Year 1985 the Department of Labor will plan and begin to implement the phase-down of the Job Corps from its current enrollment capacity of 40,500 full-time training positions to a new level of 22,000 training positions. As discussed earlier,enrollment freezes will be imposed at closing centers beginning in May 1986 and the closing of centers will be started on a staggered schedule beginning in July 1986.

Veterans' Employment

Veterans' employment projects begun in the prior program year and during the transition period were considered for funding along with applicants for new grants. Approximately 300 applications were considered, and about 90 grants will be awarded. At least one project is operational in each State. Service providers for these projects will include State and local government agencies, and community-based and non-profit organizations. Approximately $7,500,000 in matching funds and

in-kind services from State, local and private sector sources has been identified for these projects. Approximately 9,800 veterans are expected to be served at a unit cost of $990.

National Activities

Training and Technical Assistance

The FY 1985 level for training and technical assistance is $5,900,000. These funds are used to ensure proper coordination of program activities through public interest groups. Efforts are focusing on promoting and institutionalizing good management practices to ensure the success of JTPA. Special emphasis is being placed on technical assistance to States to facilitate services to economically disadvantaged youth, particularly school dropouts.

Labor Market Information

Budget authority of $7,290,000 was made available for labor market information activities in Program Year 1985. Of this amount, $4,374,000 is currently targeted for allocation to State agencies for State and local planning information which includes annual demographic information for State and local planning purposes, job search information, and newsletters on monthly or quarterly area employment developments. The remaining funds are targeted for other special national activities, such as the development of occupational definitions and a continuation of the Dislocated Workers Survey previously done by the Bureau of Labor Statistics.

Research and Evaluation

In Program Year 1985, $12,190,000 in budget authority was made available for research and evaluation activities. Research activities included the development of Program Year 1986 JTPA performance standards. Performance standards were also developed for the Migrant and Seasonal Farmworkers program, the Native Americans program, the Employment Service and Job Corps. Other research activities included the continuation of the National Longitudinal Survey. Evaluation activities included the development of the Job Training Longitudinal Survey - Quick Turnaround to provide data on JTPA participants and their experience as a result of participating in the program.

National Commission for Employment Policy

The National Commission for Employment Policy plans in Program Year 1985 to analyze contracted research on the effects of technological change on the nature, types, and location of jobs, and prepare a staff report and policy statement on the topic; to monitor and evaluate the implementation of JTPA; to provide the JTPA system with information to improve program operation and performance; to promote the development of State and locally based evaluation systems of JTPA; to write a report on JTPA issues and findings; and to publish its 10th Annual Report.

National Occupational Information Committee

Examples of major accomplishments by the National Occupational Information Coordinating Committee (NOICC) in 1985 include the award of grants for the following purposes: (1) Basic Assistance grants to all 50 states and 7 Territories; (2) implementation of the Improve Career Decision Making (ICDM) Inservice Program, a program to enhance counselor knowledge and use of labor market, occupational, and career information; (3) implementation of a microcomputer occupational information delivery system to meet the needs of State and local planners; (4) integrating military occupational and training data into statewide computerized career information delivery systems; (5) development of military career path information for use by civilians in career exploration; and (6) a special project on Improved Information on Occupational Wage Rates in the Construction Industry.

TES-34

Pilots and Demonstrations

In Program Year 1985, the Pilots and Demonstration programs continued to administer programs which address skill shortages and employment problems of the handicapped, persons of limited English speaking ability, and persons requiring but unable to obtain fidelity bonding insurance. Also administered were programs which support technical assistance efforts in training-related matters of national organizations and associations. New initiatives in FY 1985 included: a partnership with a national Hispanic service organization aiming to increase Hispanic participation in JTPA; expansion of an operational model that provides marketable skills and jobs for hard-core unemployable youth by drawing upon underutilized military facilities; and a project designed to equip students at an early age with the interest and educational skills to pursue scientific, mathematical and technological careers.

Rural Concentrated Employment Programs

The $10,000,000 funding for the Rural Concentrated Employment Programs in Program Year 1985 supplements the allocations received by the four service delivery areas from the Governors under JTPA Titles IIA and IIB. These funds provide an average enrollment level of 1,900 at a $5,260 service year cost. Approximately 6,000 participants, including 2,400 in the 1986 Summer Youth program, will receive training and services with these funds.

Trade Adjustment Assistance

In FY 1985, $26,000,000 was provided directly for this program for training, job search and relocation assistance. Approximately 6,000 training opportunities were provided to workers certified eligible for assistance. Overall, approximately 22,000 workers certified eligible received reemployment services, including job search and relocation assistance.

Changes for 1987

Activity Changes

Built-in	+$21,533,000
Program	-$73,464,000

Built-in increases totaling $21,533,000 consist of increased costs necessary to maintain programs through Program Year 1987 at 1986 levels.

National Activities

Proposal: To provide for a substantial increase in funding for the Pilots and Demonstrations, and Research and Evaluation programs, and smaller increases for other National Activities.

Rationale: A number of major issues related to the understanding of changing labor markets, services for youth and dislocated workers, changing occupational requirements and the technologies of training confront policy makers and practitioners alike. The additional funds requested will be used both to study these issues and to test new emerging strategies with demonstration research financed by the Department and in partnership with other Federal agencies, State and private groups.

Program Effects: The increased funding for Pilots and Demonstrations and Research and Evaluation will support the design, testing and marketing of innovative strategies and approaches which have both long-term program policy and budget implications. The anticipated joint funding of projects will extend resources beyond what is requested. The small increases for other National Activities will result in a minimal increase in levels of technical assistance and training, labor market information development, and the activities of the two funded commissions above the reduced 1986 levels.

Base: Estimate: $50,011,000

Program Increase: Estimate: +$31,067,000

Veterans' Employment

Proposal: To increase funding for special programs to meet needs of disabled, Vietnam-era and recently separated veterans.

Rationale: The Act specifies by formula the overall funding level for these programs. The proposed increase in National Activities results in an increased request for this program.

Program Effects: Service levels will be increased above the level which would have been possible with continued funding at the requested Program Year 1986 base level.

Base: Estimate: $8,929,000

Program Increase: Estimate: +$1,565,000

Native Americans

Proposal: To reduce program funding to the level required by JTPA.

Rationale: Section 401 (j) of JTPA requires that the program receive 3.3 percent of the amount made available for the State block grant program.

Program Effects: The request level is approximately 2 percent more than was made available after sequestering of funds pursuant to P.L. 99-177 and the proposed rescission. Approximately the same number of participants will be served in FY 1987 as in FY 1986.

Base: Estimate: $60,644,000

Program Decrease: Estimate: -$584,000

Migrant and Seasonal Farmworkers Program

Proposal: To reduce program funding to the level required by JTPA.

Rationale: Section 402 (f) of JTPA requires that the Migrant program receive 3.2 percent of the amount made available for the State Block Grant program.

Program Effect: The request level is approximately 2 percent more than was made available after sequestering of funds pursuant to P.L. 99-177 and the proposed rescission. Approximately the same number of participants will be served in FY 1987 as in FY 1986.

Base: Estimate: $58,806,000

Program Decrease: Estimate: -$566,000

TES-36

Job Corps

Proposal: To reflect the completion of Job Corps training capacity reduction during FY 1986.

Rationale: A number of program reforms intended to reduce total program costs and improve effectiveness are proposed. The poorer performing, higher costing centers will be closed with those remaining being geographically distributed to provide reasonable access to disadvantaged youth in need of the program. Improved linkages with JTPA operated programs will be strongly encouraged and innovative pilots and demonstration projects initiated to further reduce the high costs of the program and increase its effectiveness.

Program Effects: The current enrollment capacity of 40,500 will be reduced to 22,000 full-time training positions after the capacity reduction process is completed.

Base: Estimate: $430,705,000

Program Decrease: Estimate: -$78,969,000

Trade Adjustment Assistance

Proposal: No funds are necessary for job search, relocation assistance and training under the Trade Act of 1974.

Rationale: Trade Adjustment Assistance authorization expired December 19, 1985. P.L. 99-190, the Fiscal Year 1986 Continuing Resolution extends this portion of the program through September 30, 1986. Retraining, relocation and job search assistance activities provided by the program are not timely, and duplicate more effective and efficient assistance available under the JTPA Dislocated Workers program.

Program Effects: Workers previously certified as well as other displaced workers can be provided training and services through formula and discretionary grants under the JTPA Title III programs during the 1987 fiscal year.

Base: Estimate: $25,977,000

Program Decrease: Estimate: -$25,977,000

TES-37

JTPA TITLE II-A-BLOCK GRANT

STATE TABLES

State	1985 Actual (7/85-6/86)	1986 Estimate (7/86-6/87)	1987 Request [1] (7/87-6/88)
Alabama	$45,931,000	$44,190,000	$45,513,000
Alaska	4,703,000	4,896,000	5,045,000
Arizona	21,665,000	18,433,000	16,944,000
Arkansas	20,851,000	20,705,000	21,307,000
California	200,863,000	189,598,000	195,112,000
Colorado	17,968,000	17,145,000	17,634,000
Connecticut	15,291,000	13,010,000	11,959,000
Delaware	4,703,000	4,446,000	4,541,000
District of Columbia	7,683,000	6,537,000	6,633,000
Florida	68,599,000	62,193,000	63,951,000
Georgia	36,254,000	35,029,000	36,008,000
Hawaii	5,779,000	5,268,000	5,412,000
Idaho	7,640,000	7,592,000	7,812,000
Illinois	103,492,000	99,856,000	102,862,000
Indiana	46,030,000	45,011,000	46,367,000
Iowa	18,178,000	20,170,000	20,764,000
Kansas	10,723,000	9,123,000	8,386,000
Kentucky	36,436,000	33,518,000	34,500,000
Louisiana	42,459,000	47,400,000	48,822,000
Maine	8,606,000	7,323,000	7,031,000
Maryland	24,561,000	20,897,000	19,674,000
Massachusetts	32,564,000	27,706,000	25,468,000
Michigan	101,142,000	95,763,000	98,690,000
Minnesota	25,868,000	22,127,000	22,757,000
Mississippi	27,042,000	28,795,000	29,644,000
Missouri	39,068,000	33,249,000	34,207,000
Montana	6,794,000	6,219,000	6,398,000
Nebraska	6,937,000	5,902,000	5,425,000
Nevada	6,820,000	7,064,000	7,275,000
New Hampshire	4,703,000	4,446,000	4,541,000
New Jersey	45,625,000	39,730,000	40,860,000
New Mexico	12,215,000	11,704,000	12,038,000
New York	125,613,000	122,489,000	125,985,000
North Carolina	41,276,000	37,703,000	38,768,000
North Dakota	4,703,000	4,446,000	4,541,000
Ohio	98,942,000	91,248,000	93,994,000
Oklahoma	23,019,000	22,136,000	22,777,000
Oregon	25,006,000	26,487,000	27,288,000
Pennsylvania	104,638,000	97,824,000	100,741,000
Purerto Rico	68,699,000	71,395,000	73,484,000
Rhode Island	7,024,000	5,976,000	5,493,000
South Carolina	25,238,000	22,084,000	22,710,000
South Dakota	4,703,000	4,446,000	4,541,000
Tennessee	43,341,000	40,486,000	41,674,000
Texas	98,947,000	95,882,000	98,605,000

TES-38

State	1985 Actual (7/85-6/86)	1986 Estimate (7/86-6/87)	1987 Request[1/] (7/87-6/88)
Utah	10,068,000	9,194,000	9,456,000
Vermont	4,703,000	4,446,000	4,541,000
Virginia	29,086,000	26,335,000	27,071,000
Washington	40,167,000	38,477,000	39,638,000
West Virginia	25,248,000	24,773,000	25,535,000
Wisconsin	38,833,000	33,040,000	31,392,000
Wyoming	4,703,000	4,446,000	4,541,000
American Samoa	315,000	268,000	246,000
Guam	1,312,000	1,126,000	1,156,000
Northern Marianas	125,000	125,000	125,000
Trust Territories[2/]	1,645,000	493,000	515,000
Virgin Islands	1,604,000	1,560,000	1,603,000
Total	1,886,151,000	1,781,930,000	1,820,000,000

1/ These preliminary amounts are based on currently available labor market information.

2/ Funds for 1986 and 1987 are allotted to the Republic of Palau only. For 1987, upon enactment of the Compact of Free Association for Palau, amounts appropriated for assistance to Palau shall not be available.

TES-39

JTPA TITLE IIB - SUMMER YOUTH EMPLOYMENT AND TRAINING PROGRAM

STATE TABLES

State	1985 Estimate (Summer 1986)	1986 Estimate (Summer 1987)	1987 Estimate (Summer 1988)
Alabama	$16,393,000	--	--
Alaska	1,774,000	--	--
Arizona	4,889,000	--	--
Arkansas	7,636,000	--	--
California	60,935,000	--	--
Colorado	6,244,000	--	--
Connecticut	5,678,000	--	--
Delaware	1,587,000	--	--
District of Columbia	4,333,000	--	--
Florida	18,450,000	--	--
Georgia	10,613,000	--	--
Hawaii	1,898,000	--	--
Idaho	2,833,000	--	--
Illinois	28,603,000	--	--
Indiana	14,749,000	--	--
Iowa	7,117,000	--	--
Kansas	3,308,000	--	--
Kentucky	11,303,000	--	--
Louisiana	17,672,000	--	--
Maine	2,725,000	--	--
Maryland	5,167,000	--	--
Massachusetts	9,327,000	--	--
Michigan	30,088,000	--	--
Minnesota	7,208,000	--	--
Mississippi	10,272,000	--	--
Missouri	9,890,000	--	--
Montana	2,321,000	--	--
Nebraska	2,414,000	--	--
Nevada	2,411,000	--	--
New Hampshire	1,486,000	--	--
New Jersey	11,106,000	--	--
New Mexico	4,369,000	--	--
New York	42,712,000	--	--
North Carolina	11,906,000	--	--
North Dakota	1,681,000	--	--
Ohio	33,890,000	--	--
Oklahoma	8,260,000	--	--
Oregon	9,749,000	--	--
Pennsylvania	34,721,000	--	--
Puerto Rico	26,632,000	--	--
Rhode Island	2,404,000	--	--
South Carolina	8,020,000	--	--
South Dakota	1,681,000	--	--
Tennessee	13,106,000	--	--
Texas	34,343,000	--	--

TES-40

State	1985 Estimate (Summer 1986)	1986 Estimate (Summer 1987)	1987 Estimate (Summer 1988)
Utah	2,683,000	--	--
Vermont	1,681,000	--	--
Virginia	7,316,000	--	--
Washington	13,335,000	--	--
West Virginia	9,230,000	--	--
Wisconsin	11,813,000	--	--
Wyoming	1,522,000	--	--
American Samoa	55,000	--	--
Guam	671,000	--	--
Northern Marianas	26,000	--	--
Trust Territories	74,000	--	--
Virgin Islands	380,000	--	--
Native Americans	13,177,000	--	--
National Reserve	108,682,000	--	--
Total	724,549,000	427,950,000 1/	428,000,000 1/

1/ Allotments by State are not available at this time. Proposed changes requested would result in substantial revisions to the current method of distributing funds. The specific method to be used will be determined at a later date.

TES-41

JTPA TITLE III - DISLOCATED WORKER ASSISTANCE

STATE TABLES

State	1985 Actual (7/85 - 6/86)	1986 Estimate (7/86 - 6/87)	1987 Request (7/87 - 6/88)
Alabama	$4,375,000	$1,791,000	--
Alaska	423,000	204,000	--
Arizona	1,323,000	463,000	--
Arkansas	1,647,000	728,000	--
California	18,000,000	7,499,000	--
Colorado	1,155,000	617,000	--
Connecticut	931,000	449,000	--
Delaware	317,000	121,000	--
District of Columbia	681,000	247,000	--
Florida	5,229,000	2,091,000	--
Georgia	2,560,000	1,152,000	--
Hawaii	376,000	161,000	--
Idaho	605,000	267,000	--
Illinois	10,738,000	4,850,000	--
Indiana	4,772,000	2,155,000	--
Iowa	1,738,000	972,000	--
Kansas	854,000	376,000	--
Kentucky	3,242,000	1,473,000	--
Louisiana	3,675,000	2,075,000	--
Maine	645,000	221,000	--
Maryland	1,848,000	715,000	--
Massachusetts	2,478,000	695,000	--
Michigan	11,170,000	4,661,000	--
Minnesota	2,469,000	991,000	--
Mississippi	2,287,000	1,186,000	--
Missouri	3,541,000	1,402,000	--
Montana	547,000	236,000	--
Nebraska	423,000	223,000	--
Nevada	703,000	318,000	--
New Hampshire	223,000	117,000	--
New Jersey	4,006,000	1,542,000	--
New Mexico	845,000	416,000	--
New York	10,647,000	4,660,000	--
North Carolina	3,482,000	1,339,000	--
North Dakota	205,000	110,000	--
Ohio	11,236,000	4,645,000	--
Oklahoma	2,031,000	856,000	--
Oregon	2,493,000	1,177,000	--
Pennsylvania	11,135,000	4,474,000	--
Puerto Rico	4,111,000	2,088,000	--
Rhode Island	545,000	149,000	--
South Carolina	1,946,000	813,000	--
South Dakota	161,000	88,000	--
Tennessee	3,935,000	1,640,000	--
Texas	7,474,000	3,404,000	--

TES-42

State	1985 Actual (7/85-6/86)	1986 Estimate (7/86-6/87)	1987 Request (7/87-6/88)
Utah	804,000	326,000	--
Vermont	232,000	71,000	--
Virginia	1,617,000	822,000	--
Washington	4,020,000	1,683,000	--
West Virginia	2,770,000	1,300,000	--
Wisconsin	3,883,000	1,417,000	--
Wyoming	254,000	111,000	--
American Samoa	28,000	11,000	--
Guam	116,000	45,000	--
Northern Marianas	11,000	5,000	--
Trust Territories	146,000	19,000 1/	--
Virgin Islands	142,000	63,000	--
National Reserve	55,250,000	97,925,000	100,000,000
Total	222,500,000	169,655,000	100,000,000

1/ Reflects funding for the Republic of Palau only.

TES-43

JTPA TITLE IVC - VETERANS' EMPLOYMENT PROGRAMS

STATE TABLES

State	1985 Actual (7/85 - 6/86)	1986 Estimate (7/86 - 6/87)	1987 Request 1/ (7/87 - 6/88)
Alabama	$118,000	$119,000	$130,000
Alaska	55,000	70,000	70,000
Arizona	109,000	108,000	118,000
Arkansas	73,000	73,000	80,000
California	783,000	782,000	854,000
Colorado	126,000	127,000	139,000
Connecticut	93,000	92,000	101,000
Delaware	55,000	55,000	55,000
District of Columbia	55,000	55,000	55,000
Florida	366,000	366,000	400,000
Georgia	189,000	189,000	206,000
Hawaii	55,000	55,000	55,000
Idaho	55,000	55,000	55,000
Illinois	300,000	301,000	328,000
Indiana	164,000	166,000	181,000
Iowa	87,000	85,000	93,000
Kansas	76,000	77,000	84,000
Kentucky	105,000	104,000	114,000
Louisiana	123,000	123,000	135,000
Maine	55,000	55,000	55,000
Maryland	142,000	143,000	156,000
Massachusetts	179,000	181,000	198,000
Michigan	279,000	277,000	303,000
Minnesota	139,000	139,000	151,000
Mississippi	62,000	62,000	67,000
Missouri	159,000	158,000	173,000
Montana	55,000	55,000	55,000
Nebraska	55,000	55,000	55,000
Nevada	55,000	55,000	55,000
New Hampshire	55,000	55,000	55,000
New Jersey	202,000	200,000	219,000
New Mexico	55,000	55,000	55,000
New York	421,000	416,000	454,000
North Carolina	177,000	177,000	194,000
North Dakota	55,000	55,000	55,000
Ohio	335,000	335,000	366,000
Oklahoma	114,000	116,000	126,000
Oregon	115,000	116,000	126,000
Pennsylvania	358,000	358,000	391,000
Puerto Rico	55,000	55,000	55,000
Rhode Island	55,000	55,000	55,000
South Carolina	99,000	100,000	109,000
South Dakota	55,000	55,000	55,000
Tennessee	147,000	146,000	160,000
Texas	509,000	509,000	555,000

TES-44

State	1985 Actual (7/85-6/86)	1986 Estimate (7/86-6/87)	1987 Request 1/ (7/87-6/88)
Utah	55,000	55,000	55,000
Vermont	55,000	55,000	55,000
Virginia	196,000	197,000	215,000
Washington	193,000	193,000	210,000
West Virginia	64,000	66,000	72,000
Wisconsin	142,000	143,000	156,000
Wyoming	55,000	55,000	55,000
Undistributed	1,933,000	926,000	2,125,000
Total	9,667,000	8,675,000	10,494,000

1/ These preliminary amounts are based on currently available labor market information and are subject to change.

ADVISORY AND ASSISTANCE SERVICES

	FY 1986	FY 1987
Type of Services		
Advisory and Assistance Services.....	$8,290,000	$8,290,000
Personnel Appointments:		
a. Consultants and Experts.....	—	—
b. Advisory Commission Members.....	—	—
Total.....	8,290,000	8,290,000
Withdrawn from Obligation under Section 515, Treasury-Postal Service Appropriations Act, 1986 (Referenced in P.L. 99-190).....	-829,000	—
Revised Total.....	7,461,000	8,290,000

Justification of 1987 Request

Federally Administered Programs ($8,290,000):

In 1987, it is estimated that $8,290,000 of the requested budget authority will be used for Advisory and Assistance Services as defined by the Cabinet Council on Management and Administration. The funds will finance evaluations of training and employment programs, and research efforts, including new efforts, related to changing occupational requirements and the technologies of training.

EMPLOYMENT AND TRAINING ADMINISTRATION

COMMUNITY SERVICE EMPLOYMENT FOR OLDER AMERICANS

	Page No.
Appropriation language and explanation of language change	1
Analysis of appropriation language	2
Amounts available for obligation	3
Summary of changes	4
Budget Authority by activity	5
Budget Authority by object	5
Significant items in FY 1986 House and Senate Appropriations Committees Reports	6
Authorizing legislation	8
Appropriation history	9
Justification:	
Appropriation	10
General Statement	10
Activities:	
National Programs	11
State Programs	13
State tables	15

EMPLOYMENT AND TRAINING ADMINISTRATION
COMMUNITY SERVICE EMPLOYMENT FOR OLDER AMERICANS

To carry out the activities for national grants or contracts with public agencies and public or private nonprofit organizations under paragraph (1)(A) of section 506(a) of title V of the Older Americans Act of 1965, as amended, $254,280,000.

To carry out the activities for grants to States under paragraph (3) of section 506(a) of title V of the Older Americans Act of 1965, as amended, [$71,720,000.] *$71,720,000: Provided, That amounts provided to the Republic of Palau under section 506 (a)(3) shall not exceed one-third of the amount that would have been available for the Trust Territories of the Pacific Islands had the Compact of Free Association not been enacted.* 1/ *(Department of Labor Appropriation Act, 1986.)*

Explanation of Language Change

1/ This language specifies that the amount of funding to be provided to the Republic of Palau as a result of the Compact of Free Association Act of 1985, P.L. 99-239, shall be no more than one-third of the allocation which would have been provided to the Trust Territories of the Pacific prior to the Act, rather than the minimum allocation required by section 506 (a)(3) of the Older Americans Act.

59-364 O - 86 - 37

CSEOA-2

ANALYSIS OF APPROPRIATION LANGUAGE

Language Provision	Explanation
"...To carry out the activities for national grants or contracts... $254,280,000... To carry out the activities for grants to States... $71,720,000."	Specifying the amount in the language allows CSEOA to distribute 78% of the funds to national sponsors and 22% to State sponsors, notwithstanding section 506(a)(2) of the Older Americans Act, as amended, (P.L.98-459). If the distribution between national and State sponsors was based on section 506(a)(2), there would be a shift of funds from national sponsors to the States. This specification of funds maintains the same distribution between national and State sponsors as in the past few years.
"...Provided, That amounts provided to the Republic of Palau under section 506(a)(3) shall not exceed one-third of the amount that would have been available for the Trust Territories of the Pacific Islands had the Compact of Free Association not been enacted."	This language specifies that the funding provided to the Republic of Palau will come from the State Programs' portion of the CSEOA appropriation. The amount provided will not be greater than one-third of the amount which would have been allotted to the Trust Territories of the Pacific Islands prior to the Compact of Free Association Act, rather than the minimum allotment specified in section 506(a)(3) of the Older Americans Act.

CSEOA-3

AMOUNTS AVAILABLE FOR OBLIGATION

	1985	1986	1987
Appropriation	$326,000,000	$326,000,000	$326,000,000
Sequestered under P.L. 99-177	--	-13,998,000	--
A. Subtotal, appropriation	326,000,000	312,002,000	326,000,000
Withheld pursuant to The Compact of Free Association Act	--	-471,000	--
B. Total Available Budget Authority	326,000,000	311,531,000	326,000,000
C. Total, estimated obligations	326,000,000	311,531,000	326,000,000

CSEOA-4

SUMMARY OF CHANGES

	1986	1987	Net Change
Budget Authority:			
General Funds.....	$311,531,000	$326,000,000	+14,469,000

	General Funds
Explanation of Change:	
Increases:	
Program:	
To provide for 2,830 additional slots, for a total of 63,780, as supported in 1985 (1986 Base: $311,531,000).....	+14,469,000
Total Increase.....	+14,469,000
Total Change.....	+14,469,000

CSEOA-5

BUDGET AUTHORITY BY ACTIVITY

	1985 Comparable	1986 Appropriation	1986 Estimate 1/	1987 Estimate	Change
Budget Authority applied to General Funds:					
1. National programs...	$254,280,000	$254,280,000	$243,346,000	$254,280,000	+10,934,000
2. State programs...	71,720,000	71,720,000	68,185,000	71,720,000	+3,535,000
Total Budget Authority..	326,000,000	326,000,000	311,531,000	326,000,000	+14,469,000

1/ Included in 1986 Estimate:
Sequestered under P.L. 99-177..... -$13,998,000
Withdrawn pursuant to the Compact of Free Association..... -$471,000

BUDGET AUTHORITY BY OBJECT

	1985 Comparable	1986 Estimate	1987 Estimate
Grants, subsidies, and contributions.....	$326,000,000	$311,531,000	$326,000,000
Total, budget authority by object	326,000,000	311,531,000	326,000,000
Advisory and Assistance services included above.....	(—)	(—)	(—)

CSEOA-6

SIGNIFICANT ITEMS IN 1986 HOUSE AND SENATE APPROPRIATIONS COMMITTEES REPORTS

Item	Action Taken or to Be Taken
1986 House Report (No. 99-289)	
Maintenance of Current Operations	
"...it is further expected that the Department of Labor will maintain substantially the existing status and method of operation so as to assure minimal disruption of this successful program."	The Department plans no major program changes. The regulations which will be published soon will not alter the program, although they will make the changes required by the Older Americans Act Amendments of 1984, which relate to caps on Federal administrative costs, a report on distribution of positions, and posting of allowable political activities.
Placement into Private Sector Jobs	
"The Secretary of Labor should encourage the sponsors to continue their efforts to transfer program participants into private sector jobs."	The placement rate for the most recent grant period was about 22 percent. This is an increase over previous years. The Department will continue to encourage sponsors to increase placement efforts and will provide technical assistance as needed.
Cooperation with JTPA Older Workers' Programs	
"...the Committee urges the Secretary of Labor to work to better coordinate the resources of the Community Service Employment Program for Older Americans and the Job Training Partnership Act."	The Department will continue to encourage SCSEP sponsors to coordinate their programs with JTPA and the service delivery areas under JTPA. During the upcoming year a conference is planned that will address SCSEP sponsor coordination with JTPA-sponsored activity, including the JTPA set-aside for Older Workers programs.
1986 Senate Report (No.99-151)	
Cooperation with JTPA Older Workers' Programs	
"The Committee encourages service delivery areas under the Job Training Partnership Act to make greater use of national sponsors under the Senior Community Service Employment Program as a means to enroll more economically disadvantaged persons 55 or older in training programs. Service delivery areas should continue to utilize State and area agencies on	The Department will continue to encourage SCSEP sponsors to coordinate their programs with JTPA and the Service Delivery Areas under JTPA. During the upcoming year a conference is planned that will address SCSEP sponsor coordination with JTPA-

Item	Action Taken or to Be Taken
aging and increase their involvement in job training programs."	sponsored activity, including the JTPA set-aside for Older Workers programs.
1986 Conference Report (No.99-402)	
No specific actions recommended.	

CSEOA-8

AUTHORIZING LEGISLATION

Legislation		Budget Request	
		1986	1987
Authorizing legislation containing specific authority			
Item	Authority		
Title V of the Older Americans Act of 1965, as amended, P.L. 98-459	$368,300,000	$311,531,000	$326,000,000

CSEOA-9

APPROPRIATION HISTORY

	Budget Estimates to Congress	House Allowance	Senate Allowance	Appropriation
1977.....	--	$150,000,000	$150,000,000	$150,000,000
1978.....	$220,400,000	201,700,000	221,300,000	211,700,000
1979.....	237,350,000	8,900,000	8,900,000	220,600,000
1980.....	234,800,000	258,550,000	275,250,000	266,900,000
1981.....	267,100,000	277,100,000	--	277,100,000
1982.....	277,100,000	277,100,000	69,300,000	277,100,000
1983.....	--	277,100,000	286,800,000	319,450,000
1984.....	--	317,300,000	319,450,000	317,300,000
1985.....	317,300,000	--	335,000,000	326,000,000
1986 1/.....	326,000,000	326,000,000	326,000,000	326,000,000
Sequestered under P.L. 99-177.....				-13,998,000
Withdrawn pursuant to Compact of Free Association.....				-471,000
1987.....	326,000,000			

1/ Does not include reductions pursuant to P.L. 99-177 and the Compact of Free Association Act of 1985, P.L. 99-239.

CSEOA-10

EMPLOYMENT AND TRAINING ADMINISTRATION

COMMUNITY SERVICE EMPLOYMENT FOR OLDER AMERICANS

JUSTIFICATION

	1985 Comparable	1986 Appropriation	1986 Estimate	1987 Estimate	Increase
National programs	$254,280,000	$254,280,000	$243,346,000	$254,280,000	+$10,934,000
State programs	71,720,000	71,720,000	68,185,000	71,720,000	+3,535,000
Total Budget Authority	326,000,000	326,000,000	311,531,000 1/	326,000,000	+14,469,000

1/ Included in 1986 Estimate above:
Sequestered under P.L. 99-177.....-$13,998,000
Withdrawal pursuant to the
Compact of Free Association..... -$471,000

General Statement

The Community Service Employment for Older Americans appropriation provides for Federal project grants to public and private nonprofit national-level organizations and to units of State government to subsidize part-time work opportunities in community service activities for unemployed low-income persons aged 55 and over. A participant's annual family income cannot exceed 125 percent of the family poverty level established by the Department of Health and Human Services. Program participants generally work 20-25 hours per week in a wide variety of activities, such as day-care centers, schools, hospitals, senior citizens centers, facilities for the handicapped, nutrition programs, and beautification, conservation, and restoration projects.

Appropriations for the Senior Community Service Employment Program (SCSEP) provide advance funding for program years which extend from July 1 of the appropriation year to June 30 of the following year.

The division of funds between State and national sponsors is based upon language in the appropriation acts which provides for a split of 78 percent for national sponsors and 22 percent for State sponsors.

The program is authorized through Fiscal Year 1987 under Title V of the Older Americans Act of 1965, as amended.

CSEOA-11

EMPLOYMENT AND TRAINING ADMINISTRATION

COMMUNITY SERVICE EMPLOYMENT FOR OLDER AMERICANS

NATIONAL PROGRAMS

	1985 Comparable	1986 Appropriation	1986 Estimate	1987 Estimate	Increase
National programs.	$254,280,000	$254,280,000	$243,346,000 1/	$254,280,000	+$10,934,000

1/ Included in 1986 Estimate above:
Sequestered under P.L. 99-177..... -$10,934,000

Introduction

All Senior Community Service Employment Program (SCSEP) funds are allocated by a formula provided in Section 506 of the Older Americans Act. The National sponsors' portion of the SCSEP is operated through seven national nonprofit organizations and the U.S. Forest Service. Of the eight national sponsors, three operate primarily in rural areas—Green Thumb, Inc. (an arm of the National Farmers Union), the U.S. Forest Service, and the National Center on Black Aged. The National Urban League operates primarily in cities, while the National Council of Senior Citizens, the National Retired Teachers Association/American Association of Retired Persons, the National Council on Aging, and the National Association for Hispanic Elderly operate mainly in urban and suburban areas.

Local projects are operated through two general approaches: (1) by contracts with local organizations such as agencies on aging or community groups, and (2) through local affiliates of the sponsoring national organization. These SCSEP projects are coordinated with those of other sponsors including the State Offices on Aging to ensure that there is an equitable distribution of subsidized part-time jobs and to coordinate activities and services.

The local projects' activities include the following: recruitment and selection of enrollees, development of subsidized jobs, management of payroll records, counseling of enrollees, training of enrollees to perform their work or to develop occupational skills, annual physical examinations and placement of enrollees into unsubsidized jobs.

1987 Budget Request

The 1987 request of $254,280,000 will supply funding to subsidize 49,750 jobs in the 1987 program year at the applicable minimum wage of $3.35 per hour. This is an increase of 2,140 average enrollments above 1986. The average unit cost remains at $5,111. The number of participants placed in unsubsidized employment is expected to continue to increase.

1986

In 1986, the funding level will be reduced from an enacted level of $254,280,000 to $243,346,000. This reflects the sequestration of $10,934,000 required by Gramm-Rudman-Hollings. Approximately 47,610 subsidized job opportunities will be provided at an average unit cost of $5,111. The emphasis on increasing unsubsidized job placements will continue.

CSEOA-12

1985

In the 1985 program year, SCSEP national sponsors provided 49,750 subsidized job opportunities. The average unit cost in 1985 was $5,111. The placement rate into private sector jobs has increased to approximately 22 percent.

Changes for 1987

Activity Changes:

Net Program..... +$10,934,000

National Programs

Proposal: To provide for an increase of 2,140 slots, returning to the 1985 job level of 49,750.

Rationale: To increase services to the elderly population to the levels achieved in 1985.

Program Effects: The requested resources will be used to provide an increase of 2,140 subsidized jobs for the eligible participants.

Base: Estimate: $243,346,000

Program Increase: Estimate: +$10,934,000

EMPLOYMENT AND TRAINING ADMINISTRATION

COMMUNITY SERVICE EMPLOYMENT FOR OLDER AMERICANS

STATE PROGRAMS

	1985 Comparable	1986 Appropriation	1986 Estimate	1987 Estimate	Increase
State programs	$71,720,000	$71,720,000	$68,185,000 1/	$71,720,000	+3,535,000

1/ Included in 1986 Estimate above:
Sequestered under P.L. 99-177..... -$3,064,000

Withdrawal pursuant to the
Compact of Free Association..... -$471,000

Introduction

The State grant portions of the SCSEP funds are generally administered by the various State Agencies on Aging which are funded by the Administration on Aging (AOA) of the Department of Health and Human Services. The State funds are allocated to these State agencies by the Department of Labor. Funds are made available to each State, Puerto Rico and five territories.

1987 Budget Request

The 1987 request of $71,720,000 will supply funding to subsidize 14,030 jobs in the 1987 program year at the applicable minimum wage of $3.35 per hour. This is an increase of 690 average enrollments above 1986. The average unit cost remains at $5,111.

1986

As required by the Gramm-Rudman-Hollings reductions, the funding level will be reduced by $3,064,000 to $68,656,000. In addition, funds withheld from obligation due to the enactment of the Compact of Free Association, will decrease the amount of funding available by $471,000 to $68,185,000. Approximately 13,340 subsidized job opportunities will be provided in 1986 at an average unit cost of $5,111.

1985

In the 1985 program year, SCSEP State sponsors provided 14,030 subsidized job opportunities. The average unit cost in 1985 was $5,111.

Changes for 1987

Activity Changes:

Net Program..... +$3,535,000

State Programs

Proposal: To provide for an increase of 690 slots, returning to the 1985 jobs level of 14,030.

CSEOA-14

Rationale: To increase services to the elderly population to the levels achieved in 1985.

Program Effect: The requested resources will be used to provide an additional 690 subsidized jobs for the eligible participants.

Base: Estimate: $68,185,000

Program Increase: Estimate: +$3,535,000

CSEOA-15

COMMUNITY SERVICE EMPLOYMENT FOR OLDER AMERICANS

STATE TABLES

State	1985 Actual (7/85-6/86)	1986 Estimate 1/ (7/86-6/87)	1987 Request 2/ (7/87-6/88)
Alabama	$5,978,000	$5,721,000	$6,006,000
Alaska	1,401,000	1,331,000	1,404,000
Arizona	3,576,000	3,414,000	3,607,000
Arkansas	5,833,000	5,650,000	5,840,000
California	25,870,000	24,804,000	25,982,000
Colorado	2,975,000	2,871,000	3,002,000
Connecticut	3,643,000	3,470,000	3,610,000
Delaware	1,401,000	1,331,000	1,404,000
District of Columbia	1,831,000	1,761,000	1,833,000
Florida	17,738,000	16,970,000	17,840,000
Georgia	6,936,000	6,606,000	6,927,000
Hawaii	1,401,000	1,331,000	1,404,000
Idaho	1,519,000	1,449,000	1,521,000
Illinois	13,223,000	12,488,000	13,097,000
Indiana	8,525,000	8,138,000	8,480,000
Iowa	4,296,000	4,037,000	4,234,000
Kansas	3,278,000	3,146,000	3,291,000
Kentucky	6,130,000	5,878,000	6,134,000
Louisiana	5,352,000	5,174,000	5,431,000
Maine	2,014,000	1,937,000	2,021,000
Maryland	4,415,000	4,182,000	4,384,000
Massachusetts	7,608,000	7,221,000	7,530,000
Michigan	10,803,000	10,275,000	10,784,000
Minnesota	7,608,000	7,341,000	7,569,000
Mississippi	4,061,000	3,876,000	4,068,000
Missouri	8,075,000	7,702,000	8,036,000
Montana	1,979,000	1,909,000	1,981,000
Nebraska	2,511,000	2,397,000	2,498,000
Nevada	1,519,000	1,449,000	1,521,000
New Hampshire	1,458,000	1,388,000	1,460,000
New Jersey	9,544,000	9,177,000	9,549,000
New Mexico	1,613,000	1,561,000	1,645,000
New York	23,109,000	22,012,000	22,987,000
North Carolina	8,225,000	7,843,000	8,246,000
North Dakota	1,907,000	1,837,000	1,910,000
Ohio	14,331,000	13,640,000	14,301,000
Oklahoma	4,989,000	4,822,000	5,031,000
Oregon	4,560,000	4,412,000	4,585,000
Pennsylvania	18,287,000	17,562,000	18,413,000
Rhode Island	1,698,000	1,628,000	1,700,000
South Carolina	4,156,000	3,960,000	4,167,000
South Dakota	2,194,000	2,124,000	2,196,000
Tennessee	6,659,000	6,355,000	6,684,000
Texas	16,646,000	16,069,000	16,859,000
Utah	1,995,000	1,933,000	2,014,000

CSEOA-16

State	1985 Actual (7/85-6/86)	1986 Estimate 1/ (7/86-6/87)	1987 Estimate 2/ (7/87-6/88)
Vermont	1,749,000	1,679,000	1,751,000
Virginia	6,724,000	6,474,000	6,760,000
Washington	4,560,000	4,425,000	4,661,000
West Virginia	3,675,000	3,542,000	3,698,000
Wisconsin	8,201,000	7,903,000	8,195,000
Wyoming	1,519,000	1,449,000	1,521,000
American Samoa	703,000	668,000	704,000
Guam	703,000	668,000	704,000
Puerto Rico	3,890,000	3,676,000	3,883,000
Trust Territories 3/	703,000	197,000	233,000
Virgin Islands	703,000	668,000	704,000
Total	326,000,000	311,531,000 4/	326,000,000

1/ These are planning estimates based on amount available for obligation and are subject to change.

2/ These preliminary amounts are based on currently available labor market information.

3/ In 1985 includes funding for the Trust Territories of the Pacific and the Northern Mariana Islands. In 1986 and 1987 reflects funding for the Republic of Palau and the Northern Marianas. For 1987, upon enactment of the Compact of Free Associatsion for Palau, amounts appropriated for assistance to Palau shall not be available.

4/ Reflects reduction of $13,998,000 pursuant to P.L. 99-177 and withdrawal of $471,000 as a result of The Compact of Free Association Act of 1985, P.L. 99-239.

TUESDAY, MARCH 4, 1986.

EMPLOYMENT AND TRAINING ADMINISTRATION

STATE UNEMPLOYMENT INSURANCE AND EMPLOYMENT SERVICE OPERATIONS

FEDERAL UNEMPLOYMENT BENEFITS AND ALLOWANCES

WITNESSES

ROGER D. SEMERAD, ASSISTANT SECRETARY OF LABOR

ROBERTS T. JONES, DEPUTY ASSISTANT SECRETARY OF LABOR

CAROLYN M. GOLDING, DIRECTOR, UNEMPLOYMENT INSURANCE SERVICE

SHIRLEY PETERSON, ADMINISTRATOR, OFFICE OF EMPLOYMENT SECURITY

MARY ANN WYRSCH, DIRECTOR, OFFICE OF BUDGET.

INTRODUCTION OF WITNESSES

Mr. NATCHER. At this time we take up the budget request for fiscal year 1987 for the Employment and Training Administration, State Unemployment Insurance and Employment Service Operations.

We have before the committee Mr. Roger D. Semerad, the Assistant Secretary of Labor, and who do you have with you at the table there, Mr. Semerad?

Mr. SEMERAD. Mr. Chairman, I am again accompanied by Bob Jones, Deputy Assistant Secretary of Labor; Carolyn Golding, Director of Unemployment Insurance Service; Shirley Peterson who is our Administrator for the Office of Employment Security; and Mary Ann Wyrsch, Director of the Department of Labor Office of Budget.

Mr. NATCHER. Thank you, and we are glad to have all of you before the committee. We will be pleased to hear from you, Mr. Semerad.

Mr. SEMERAD. Mr. Chairman, thank you very much. It is nice to be with you again this afternoon. We appreciate this opportunity to present the fiscal year 1987 budget for State Unemployment Insurance and Employment Service Operations, Advances to the Unemployment Trust Fund, and other funds, and for Federal Unemployment Benefits and Allowances.

SUMMARY OF INCOME MAINTENANCE REQUEST

For State Unemployment Insurance and Employment Service Operations, we are requesting $2.5 billion primarily from trust funds. This includes $1.7 billion for UI to support administration of

the Unemployment Insurance System. It is based on a projected insured unemployment rate of 2.6 percent.

The UI request provides for mandatory increases of $99.5 million, and an additional $44.5 million to provide for improvements in the system, like expanding the quality control program, updating automated services, et cetera.

The request provides $778 million for the Employment Service and includes increases for inflation.

These funds will be provided for processing an average of two million UI claims per week, and for the placement of an estimated 3.5 million individuals by State Employment Service agencies.

Our request is based on current Employment Service and unemployment insurance structures. The Administration is soliciting views of interested parties on options for improving the financing of the UI and ES systems.

Four million dollars is requested for Federal unemployment benefits, and allowances to pay benefits to individuals covered under the Redwood National Park expansion amendments.

No funds are requested for trade adjustment benefits since authorization for such provisions expired. The request for $413 million in advances is for the Black Lung Disability Trust Fund.

Justification for these funds will be provided by the Employment Standards Administration. Mr. Chairman, my colleagues and I are pleased to have an opportunity to be with you this afternoon, and we will answer any questions you have regarding our requests.

[The statement of Mr. Semerad follows:]

Statement by Roger D. Semerad
Assistant Secretary of Labor
House Appropriations Subcommittee
Fiscal Year 1987 Budget Request
State Unemployment Insurance and Employment Service Operations
Advances to the Unemployment Trust Fund and Other Funds
Federal Unemployment Benefits and Allowances

Mr. Chairman, and Members of the Subcommittee, I appreciate the opportunity to appear before you today to present the Fiscal Year 1987 budget requests for State Unemployment Insurance and Employment Service Operations, Advances to the Unemployment Trust Fund and Other Funds, and Federal Unemployment Benefits and Allowances.

State Unemployment Insurance and Employment Service Operations

For 1986, in addition to reflecting reductions required under P.L. 99-177 of $106.6 million, the request contains a proposal to reduce 1986 funding from the Unemployment Trust Fund for State Employment Service Operations by an additional $3.9 million. This reduction of State allotments is part of overall efforts to decrease expenditures to meet deficit reduction goals. When added to the reduction required by P.L. 99-177, this change would reduce grants for Program Year 1986 State allotments 3.0 percent below the allotments for Program Year 1985.

The 1987 request for State Unemployment Insurance and Employment Service Operations is $2.5 billion. These funds finance State administrative costs of unemployment insurance and employment service activities and are comprised of $2.5 billion in trust funds and $23.4 million in general revenue funds.

For unemployment insurance operations we are requesting $1.7 billion, which will support workloads anticipated under the projected total unemployment rate of 6.6 percent and insured unemployment rate of 2.6 percent. The basic funding rate for unemployment insurance will finance costs associated with workloads averaging 2.0 million claims per week nationally. Administrative costs associated with workloads above the base level will be financed from the contingency fund.

In addition to net mandatory increases of $99.5 million, we are requesting net additional funds of $44.5 million over the revised 1986 level. These increases will allow for more timely processing of workload, improve the quality of services, provide full year financing for the expanded Quality Control Program sample size and provide a total of $20.0 million for upgrading State automated systems for benefit payments and collection of taxes. The unemployment insurance contingency fund request includes $4.8 million to provide separate financing for amortization payments to five States that had independent retirement plans in their State Employment Service Agencies prior to 1980. This is the amount determined to be needed annually to amortize the Employment Service portion of the unfunded liability of these plans over a thirty year period.

The request for the Employment Service of $777.7 million is composed of $755.2 million in formula State allotments for Program Year 1987, and $22.5 million for National Activities. The $755.2 million in formula State allotments is a net increase of $1.0 million over the revised 1986 level of $754.2 million and includes an inflationary increase of $33.2 million offset by productivity savings of $32.2 million. The $22.5 million for National Activities reflects adjustments for expected cost increases of $0.9 million and a program increase of $0.9 million to accommodate 1987 program requirements. The request includes no funds for the Targeted Jobs Tax Credit program which expired on December 31, 1985.

Advances To The Unemployment Trust Fund and Other Funds

A total of $413.0 million is being requested for this account to provide general revenue advances to the Black Lung Disability Trust Fund. Account balances in the Unemployment Trust Fund and the amount requested in 1987 for the Federal Unemployment Benefits and Allowances general fund appropriation account are expected to be sufficient for payment of benefits. The request for advances to the Black Lung Disability Trust Fund would be reduced by $221 million upon passage of proposed legislation providing increased receipts for the Fund.

The Black Lung Disability Trust Fund is administered by the Employment Standards Administration who can more fully explain the details of this request.

Federal Unemployment Benefits and Allowances

The Federal Unemployment Benefits and Allowances appropriation request is $4.0 million. The request is for unemployment benefits and for health and pension costs on behalf of individuals covered under the Redwood National Park Expansion amendments. The adjustment benefit provisions of the Trade Act of 1974, as amended, pertaining to unemployment benefits, expired December 19, 1985. Therefore, no funds are being requested.

This concludes my statement, Mr. Chairman. My staff and I will be happy to answer any questions you, or members of the Subcommittee, may have.

RETURN OF UI PROGRAM TO STATES

Mr. NATCHER. Thank you very much, Mr. Semerad. Last year, the Administration was talking about a proposal to turn back the administration of the unemployment insurance program to the States.

What is the current status of that proposal, and what is the outlook for it, Mr. Semerad?

Mr. SEMERAD. Mr. Chairman, I think that the whole matter of the unemployment insurance system, in terms of financing it and administering it, is clearly one that came to the forefront last year, and really, the conversation, in our judgment, was quite limited.

So, under Secretary Brock's instructions, we have basically opened up the conversation, to really talk to the people most affected by it, who use it most, who understand the highly technical area, such as this, to see whether or not the system should be devolved to the States, or, parts of it. In the process of those discussions, which are going on right now and for which there has been really marvelous response from the States, we hope also to find other things, other steps that might be taken, that will improve the system—the administration, the financing of the system.

But Shirley, you may want to contribute something on that.

Ms. PETERSON. Mr. Chairman, we have begun, as Mr. Semerad has said, consultation with the States, and we are also initiating a roundtable to consult with, which represents employers, labor, State government, and the public sector, and we will be looking at all of the issues that have come forward in the last couple of years regarding more of a balance between the State/Federal partnership, and we hope to improve the whole system by doing this.

Mr. NATCHER. Would you say that the States are in favor of this proposal?

Mr. SEMERAD. I do not think that that would be a fair characterization. I do not think that it has been pinned down, so that they are sure what the proposals might be.

There are some States that feel that a new form of administrative financing would be very much to their advantage, and I understand that they are banding together to try to push the Congress, and the Administration in that direction.

I think that we are really finding that there is a new awareness, with the realities of Gramm-Rudman-Hollings, that State people are looking at the possible outcomes differently, and they may change their opinion, or decide that it is a pretty good idea.

REVIEW OF UNEMPLOYMENT ADMINISTRATIVE SYSTEM

Mr. NATCHER. You have been conducting a review of the unemployment administrative system which the Secretary said last December was "a major source of friction between Federal and State governments." What have been your main findings up to this time?

Ms. GOLDING. I think a number of the criticisms that we heard, as we conducted the public comment process, were that there was too much Federal intrusion into decisions that ought to be left to State managers, and that this tied their hands in responding flexibly to the problems that they could identify.

Most of the suggestions that have come out of the public comment process so far have related to alternative ways to increase State managers' flexibility, to make it possible for them to use the current amounts of resources more effectively.

STATE INVOLVEMENT IN BUDGET DEVELOPMENT

Mr. NATCHER. To what extent are the States involved in developing the Department's budget request for the State operations account?

Ms. GOLDING. They are involved right now to a very limited degree. We look at State requests for additional technical assistance; we look at problem areas that have been identified; we look at State requests for automation grants; and use those kinds of information in formulating our budget request.

We do not go through a process, for instance, that would have us pre-clearing a budget request before it is released in the President's Budget, with the States.

EFFECT OF GRAMM-RUDMAN ON STATE OPERATIONS

Mr. NATCHER. What effect will the 1986 Gramm-Rudman reductions have on State operations?

Ms. GOLDING. In unemployment insurance—and Miss Peterson can speak more definitively, for the Employment Service—in unemployment insurance, we sustained a little over a $71 million reduction due to Gramm-Rudman-Hollings, and our assessment of the impact of that is that States are going to defer taking on staff who will process claims and carry out other necessary functions.

They are also going to defer expenditures to buy equipment and supplies to the extent possible. We expect that these deferrals may lead to some falloff, in terms of either timeliness, or quality of the service that is provided, as measured, for instance, in an error rate, or in a timely decision on an appeal.

Mr. NATCHER. How much of the reduction that you mentioned, of $71 million, is restored in the 1987 budget?

Ms. GOLDING. All of it is restored.

Mr. NATCHER. Will each State's allocation be cut by 4.3 percent?

Ms. GOLDING. No, sir, not necessarily. The Gramm-Rudman-Hollings language provided that we take the Gramm-Rudman-Hollings reductions by the programs, projects, and activities identified in the appropriation.

That meant that we took the 4.3 percent on the four budget activities that are outlined—State operations, State integrity, contingency and national activities—and that we also took the reduction against three additional categories: nonpersonal services, automation grants, and the ES retirement subaccount in the contingency account. Each of those activities sustained 4.3 percent; however, we took as much of those amounts out of each of those activities as we could, out of money that had not yet been allocated to the States.

In fact we took about a 3.4 percent reduction to the amounts of money already allocated to each individual State.

BALANCE OF EMPLOYMENT SECURITY ADMINISTRATION ACCOUNT

Mr. NATCHER. What is the current balance in the Employment Security Administration account?

Ms. GOLDING. Do you mean at the end of the last fiscal year?

Mr. NATCHER. Yes. Give us that figure.

Ms. GOLDING. At the end of fiscal year 1985, the actual balance was $1 billion, and we are estimating approximately the same amount at the end of fiscal year 1986.

Mr. NATCHER. Given that large balance in the account, why isn't your budget request for State administration higher?

Ms. GOLDING. Well, the balance at the end of the year will, in part, go to reduce the debt in the extended unemployment compensation account. So while there is a balance as of September 30th, on October 1st we will transfer an amount to the extended unemployment compensation account to reduce that debt. That is one use of it.

To the extent that there is an excess after that, it would go into the Federal unemployment account, and be available for future loans to States. I know the employers are very interested in seeing the extra two-tenths of one percent tax that is currently laid on their FUTA collections reduced.

I think once the EUCA account debt is repaid, it may be more in our interest to look at boosting the amount of the account that goes for State administration and State operations.

REQUEST FOR UI ADMINISTRATIVE COSTS

Mr. NATCHER. You are requesting $1,741,600,000 for the UI administrative costs, an increase of $144,032,000 over the 1986 revised level.

How much of this increase is for so-called "built-in" increases and how much is for restoration of Gramm-Rudman cuts? Can you give us a breakdown as between the two?

Ms. GOLDING. Yes. About $52 million is to restore Gramm-Rudman-Hollings reductions. The remainder are what I would call "built-in" increases.

Mr. NATCHER. All right. Mr. Conte.

IMPACT OF GRAMM-RUDMAN REDUCTIONS

Mr. CONTE. Thank you. In listening to those questions, I have been asking those same questions of other witnesses coming up here. It seems like that all of the agencies in, or all the different administrative groups in Labor, thus far, have done very well by themselves. They are not affected by Gramm-Rudman at all.

They take the 4.3 percent cut and then they put it back in the 1987 budget, plus. Do you think that is fair to everybody else that are taking their "lumps" on this?

I happen to be a guy that voted against Gramm-Rudman and dislike it with a passion, but seeing we have got a bad law on the books, why should not everybody swallow that "bitter pill"?

Mr. JONES. Well, Congressman, I was not aware that the Department of Labor was not doing its part to——

Mr. CONTE. You just checked every one of those, didn't you? Just about every one that has come up, the administrative people, have all taken care of themselves. Every one.

Now even we Congressmen have taken the 4.3 cut in our offices, and we are not coming back in 1987, I hope, and putting it back in.

Mr. JONES. I think, Congressman, in 1986 we have taken those cuts up and down the line. The 1987 decisions restore some of the cuts, but that is probably the conscious reason that you voted against Gramm-Rudman. What those are is some positive program decisions where, outside of Gramm-Rudman, or anything else, a decision was made to maintain a program at a certain level, and I think that you do not, not make those decisions in 1987 until Congress appropriates the money, and we find out whether we are subject to Gramm-Rudman or not in 1987. I think it is appropriate to step forward and make those 1987 program decisions.

Those were worked out with OMB and the Department, and represent some positive policy decisions.

Mr. SEMERAD. I think also, Congressman, that as one goes over the last few years and sees the contribution to Federal budget integrity, the Department of Labor certainly has done a rather large portion of that, and I think that when you cut out the fat, that is one thing; when you cut out the muscle, that is another; and I think Secretary Brock made it very clear to our budget gurus that that was it. That we were down to the bone.

And I think that in order to maintain the integrity of what the mission of the Department of Labor is, and the mandate that is given us by Congress, we really had gone about as far as we could. I do not look at it as taking care of ourselves—I think we have maintained the integrity, particularly in the Employment and Training Administration, of the programs, at the same time doing our part, overall in the President's budget, by trying to maintain or reestablish the integrity of the Federal budget. So I do not think we looked at it as taking care of ourselves. The Department of Labor certainly contributed mightily to the reduction of the Federal deficit in the last few years.

Mr. CONTE. I think you people are going to give me, and my colleagues who joined me in that suit, the award of the year, the "Labor Department award of the year," if the case is sustained by the Supreme Court. Then the GAO will not be able to come back and make the sequestration, and there would be no way in 1987 that you could get out of it.

You would take a 50 percent cut in all of your programs, right across the board.

Mr. SEMERAD. Well, we will still have something to work with.

Mr. CONTE. Well, not if you had sequestration. They would take the tires right off your car. [Laughter.]

STATUS OF UNEMPLOYMENT TRUST FUND

In years past, there has been a lot of concern over the financial state of the Unemployment Trust Fund.

I would imagine now, with the economy picking up all over the country, that that picture would be a little brighter. What is the current status of the trust fund? What do we have in it?

Ms. GOLDING. Currently, there is an outstanding debt of about $9.6 billion. $2.3 billion of that is chargeable to the Extended Unemployment Compensation Account, for the Federal share of extended benefits, and the remainder, approximately $7.3 billion, is owed by States who borrowed money in order to continue benefit payments during the last two recessions.

That is a considerably improved picture from last year, the year before, when you were asking——

Mr. CONTE. The same question, yes.

Ms. GOLDING. The same kinds of situation. The States have, in response to the incentives that have been provided in Federal legislation, have done a great deal to reduce their debt.

STATES WITH OUTSTANDING LOANS

Mr. CONTE. How many States still have outstanding loans from the Government? And are there any States now borrowing?

Ms. GOLDING. Yes, sir.

Mr. CONTE. They still are?

Ms. GOLDING. We do expect that this year there will be nine States who will borrow more on a cashflow basis. There are, I believe, 13 States who still have substantial debt outstanding.

Mr. CONTE. Can you put those in the record for me, both the nine and the thirteen?

Ms. GOLDING. Yes, sir.

[The information follows:]

Summary of State loans

States with outstanding loans, December 31, 1985	States expected to borrow in FY 1986
Connecticut	Illinois
Illinois	Louisiana
Louisiana	Minnesota
Michigan	Montana
Minnesota	North Dakota
Ohio	Ohio
Pennsylvania	Pennsylvania
Puerto Rico	Texas
Texas	West Virginia
Vermont	
Virgin Islands	
West Virginia	
Wisconsin	

REPAYMENT OF OUTSTANDING LOANS

Mr. CONTE. Are your projections improving in terms of when you think all of those outstanding debts are going to be repaid?

Ms. GOLDING. We are expecting that the bulk of the debt, under the current economic forecasts, would be repaid by 1989, 1990, and there may be one or two States who will still have some debt outstanding at that point, but it will be very minor.

SHIFT OF ADMINISTRATIVE RESPONSIBILITY TO THE STATES

Mr. CONTE. Last year we talked some with your predecessor about the Administration's plan to shift more of the oversight and responsibility for the program to the States.

Recently, I know that my own State of Massachusetts, which is running a surplus of about $900 million in its trust fund, sent its comments on this plan to the Department, and proposed a change that would allow it to tap this surplus for use in some of its training and employment programs.

It seems to me that the proposal is not that bad of an idea. What are your thoughts on that?

Ms. GOLDING. I believe that the State of Massachusetts made four proposals in response to the Secretary's solicitation for comment, and the one that you are describing is one of those.

That closely parallels an Administration proposal that was put forward during 1982, that States be given, through Federal legislation, authority to spend up to one percent of their trust fund resources for training, or retraining, targeted at unemployment insurance recipients and/or exhaustees.

That was proposed in 1982 and has not been, obviously, enacted, nor has it been reproposed since then. Massachusetts is not the only State that has, in this administrative finance initiative comment process, put forward a similar proposal. There are a number of States. California and others.

Mr. CONTE. The same proposal?

Ms. GOLDING. Who have suggested something similar.

Mr. CONTE. Similar.

Ms. GOLDING. In the case of Delaware and California, in fact, the State is collecting a surcharge, an employee development training tax on the UI tax, which is reserved for training and retraining, UI exhaustees and former beneficiaries.

They have done this out of their own resources without tapping into the trust fund at all, and I think that is a significant indicator of interest on the part of those two States, certainly.

PROSPECTIVE CHANGES IN FUTURE RESOURCE USE

Mr. SEMERAD. I think that in terms of alternate uses of UI, the trust fund, or any of our human resource pools of money, if you will, we are looking at all of that. I think that as we approach the 21st Century, and we must recognize that we have an economy that is changing from an industrial age to a technological age, how quickly we can respond, and how we can better use whatever resources that are available, and there are a lot of resources in the system, in various parts of the system today, even with budget constraints and everything else, that we embarked upon a program to examine, really, what is coming in terms of the likely work force, the needs and what the society and the economy are going to require.

We know some things for sure in terms of the demographics and some of the macroeconomic models. We are really taking this year to develop, by the end of the year, two or three likely scenarios for the turn of the century. It is far enough out so we can all deal with it and look at it, and we do not have to worry about a bill coming up, or a lot of lobbying on something.

We can look at it intellectually and try to test them. I think once we decide on the likely scenario, then we need to run all of our existing policies, like UI, against it. That will tell us something. UI is

the big one at the top, really. Is it going to be responsive to the various elements of the new technological age in this country, as part of U.S. competitiveness in the international economy?

So I think that wherever you have resources, if something pops out, that there should be an alternative use, if you will, we need to examine that, and that is everything, including training, that is everything from whatever resources are going to be available; so that we can deal with the retraining and reemployment issue faster.

We are trying to get a hold of this, rather than just coming up with more incremental changes like those we have built up over the years in the kind of industrial economy we have had.

Do we know, with some degree of certainty, that those policies will, or will not be responsive, or, could it indeed be inhibitors? We have learned in welfare, and some of these things, that cash payments are disincentives for people to get up and get going. Well, this is the same kind of thing.

We need to use whatever resources that are dedicated to human resource development, and reinvestment, if you will, more wisely than we are today, and if we reach out a bit, employers will say, "Well, why wait until the turn of the century? The problems are on us right now." Well, turn of the century, there are sort of bells and whistles attached to that, plus the fact that it puts it far enough out in the future but not too far out—to let us address it, and, once we decide, the Congress, the Administration, employers, communities will begin to evolve policies in an orderly fashion rather than some kind of new big revolution in public policy as far as the work force is concerned.

I think we are trying things on the alternate use. In New Jersey, for instance, where we have got a demonstration going in terms of the trust fund. We are using funds to see if we cannot get people reemployed more quickly.

So we are trying, but I am very hesitant to move to quick fixes, or further tinkering. We have built a system over the years that has worked pretty well in an Industrial Age in this country. My stomach tells me that all the various incremental programs might not be the best use of public resources in the new technological age we are moving to.

MANAGEMENT OF UNEMPLOYMENT TRUST FUND

Mr. CONTE. You mentioned that the trust fund is owed $9 billion, and yet Massachusetts has $900 million. Do they have a separate trust fund for each State?

Ms. GOLDING. There is one Unemployment Insurance Trust Fund which is managed by the Secretary of the Treasury, but within that trust fund, each State's resources are separately identified and in that State's account. So that we always know what the balance is for a specific State and what resources are available for them. These funds are taxes that are collected by the States and deposited by the States in the U.S. treasury.

Mr. CONTE. Now when they borrow, do they do it out of their own trust fund account?

Ms. GOLDING. When they borrow money, they must first have exhausted everything in their account.

Mr. CONTE. I realize that, but how do they pay it back, out of their trust fund?

Ms. GOLDING. They pay it back out of their own tax collections.

Mr. CONTE. Not out of the trust fund?

Ms. GOLDING. The State revenue source for loan repayment can be any source, including State III tax collections deposited in the unemployment trust fund. The States tell us which of their deposits are to go for loan repayment and which are deposits to remain in their own trust fund account. They also can repay loans using balances from their own account in the trust fund. Now when they do borrow, should the loan be outstanding, and not a cashflow loan, for a significant period of time, they have to pay interest on that, and the interest cannot come from their trust fund, either directly or indirectly. It has to be a separate resource mechanism in the State that provides the interest money.

IMPACT OF GRAMM-RUDMAN ON STATE OPERATIONS

Mr. CONTE. Staying with the Unemployment Compensation program a little bit longer. How much is being reduced from state operations funds under Gramm-Rudman-Hollings?

Which states will actually have to reduce staffing because of these reductions?.

And if a state falls behind in its processing as a result of these cuts, can additional funds be made available from the contingency account or would we need an actual supplemental?

Ms. GOLDING. Gramm-Rudman-Hollings reductions for UI operations was $71.3 million. And it divided up among the seven program projects and activities that were identified in the 1986 appropriation. That amounted to about a 3.4 percent reduction to the allocations that had already been issued to states. We took the remainder of the reductions in the reserves and unallocated funds that had not yet been handed out to states.

We do not have a list right now, of states who feel that they will have to make staffing reductions. The information we have indicates that most of them are going to defer replacing staff that is leaving, rather than laying staff off.

We do expect that there will ultimately be some impact, adverse impact on operations.

Mr. CONTE. On the 3.4 percent?

Ms. GOLDING. Based on that $71 million reduction. We could not make it up out of contingency, contingency is part of the activities that we had to reduce.

Mr. CONTE. Thank you, Mr. Chairman, that is all.

Mr. NATCHER. Mr. Hoyer?

Mr. HOYER. Thank you, very much, Mr. Chairman.

STATE JOB SERVICE

When you are talking about the state job service, that relates to several questions that I had last year. Your justification reflects a reduction of about $40 million from last year's figures, $792 million in fiscal year 1986 and it is down to $755 million from what I understand.

Now, this is, as I understand it, in your justification going to result in reductions of state staff. But you do not believe that it will affect workload, can you explain that to me?

Mr. JONES. Yes, sir, that reduction as we discussed earlier is back to a standard $755 million operating level that we have thought is the appropriate level for two or three years. The additional funds were actually provided by the Congress. And there are staff involved in that obviously, but we have thought for two or three years that the Employment Service can operate effectively at the $755 million level, and maintain the system that is out there.

The increased funds, tend to result in simply the creation of more offices, which then have to be shut down at some point or another as economic shifts occur, let alone when budget reductions occur. So we continue to support the $755 million level.

Mr. HOYER. Now, will that be affected if we have a—if the Administration's objections on unemployment do not pan out?

Mr. JONES. No; that does not change our estimate?

Mr. HOYER. That would not be affected at all?

Mr. JONES. No.

NONPERSONAL SERVICES

Mr. HOYER. Now, what I talked about last year, was this nonpersonal services item. How much was spent on NPS in 1985 and 1986?

Ms. GOLDING. The 1986 enacted amount for nonpersonal services was about $239 million and that was reduced by the Gramm-Rudman-Hollings Act by 4.3 percent.

Mr. HOYER. So it was reduced by about $8 plus million?

So you have about $230?

Mr. JONES. I think the actual figure is about $228.9 million.

Ms. GOLDING. That is right.

Mr. HOYER. Thank you.

Now, you show an increase of $10.3 million and this is classified as built-in increases. Now, does that built-in increase, what is the result of Gramm-Rudman-Hollings and the built-in increase is going to keep you about even so that you will not have a built-in increase?

Ms. GOLDING. No; we are adding back the Gramm-Rudman-Hollings reduction and also we have an inflationary increase in nonpersonal services for 1987.

Mr. HOYER. So that the 10.3 would not reflect that though, would it?

In other words, if you have gone $2.6 million that is a reduction of 11—and then presumably if there is some built-in increase, inflationary increase, would it be taken care of?

It is not going to be taken care of by $10.3 million if you went down $1 million.

Ms. GOLDING. No; I believe the new total is, in excess of $240 million in 1987.

Mr. HOYER. So that is $6 million or more over last year's level so that would cover the inflation as well, and it would be a little less than inflation, 3.7 or 3.8, or 4 percent?

Ms. GOLDING. Just under about 4 percent, I believe.

Mr. HOYER. But that is close.

UNEMPLOYMENT COMPENSATION

Now, you are reflecting a $33 million increase in unemployment compensation. And does this increase maintain current services?

Ms. GOLDING. The $33.6 million provides for increased funding for UI for timely processing, it is basically building back in the Gramm-Rudman-Hollings reduction that occurred in 1986.

Mr. HOYER. Plus the inflation factor or——

Ms. GOLDING. Yes; there are mandatory increases in costs for personal services and so on added on top of that.

AUTOMATION GRANTS

Mr. HOYER. Now, last question on the automation grants which we spoke of last year, you show a small increase of $860,000 for these grants. Now, last year, we added $20 million and now, is that $860,000 being adding back in due to restore the Gramm-Rudman-Hollings cut?

Ms. GOLDING. Yes; it brings us back to $20 million.

Mr. HOYER. OK, that is the 4.3 percent off the fundamentals?

Ms. GOLDING. Yes, sir.

Mr. HOYER. Now how are these funds going to be allocated?

Ms. GOLDING. We have a competitive process, with states making proposals based on their current state of automation. And those proposals are ranked according to criteria which we publish in advance of the proposal process.

Basically what we are looking for is something that we will improve basic operations and in a way that is measurable and we are looking for some degree of payback on the initial amount of the automation grant and looking for something that will improve operations in a way that is measurable in savings, either in administrative costs, or in benefit costs, for instance, reducing errors, making the process more timely.

Those proposals are ranked based on how well they do or do not meet those criteria. And we fund the highest ranking proposals up to the limit of the $20 million.

We also give——

Mr. HOYER. Now, is there a cap on those?

Ms. GOLDING. Excuse me?

Mr. HOYER. Is there a cap on those?

Ms. GOLDING. Is there a maximum award?

Mr. HOYER. Yes.

Ms GOLDING. No, sir, there is not.

Mr. HOYER Well, have you made awards yet?

Ms. GOLDING. We have made the awards for Fiscal Year 1986.

Mr. HOYER. What was the maximum award that you gave?

Ms. GOLDING. About $4.5 million, I think.

Mr. HOYER. $4.5, so that one state got about 20 percent?

Ms. GOLDING. Yes, sir.

Mr. HOYER. Could we have a list of those awards for the record?

Ms. GOLDING. I will be glad to supply them to you, sir.

[The Information follows:]

AUTOMATION GRANTS AWARDS

The following is a list of those States receiving FY 1986 grants for automation of the unemployment insurance systems.

Arizona	$1,564,504
California	358,633
Connecticut	478,207
Colorado	963,892
Delaware	601,000
Hawaii	431,000
Indiana	2,728,448
Iowa	59,642
Kentucky	48,000
Maine	162,248
Maryland	33,600
Massachusetts	874,720
Montana	37,936
Nevada	22,400
New Jersey	302,495
Ohio	174,840
Pennsylvania	4,723,844
Puerto Rico	1,337,823
Rhode Island	57,927
Texas	2,447,179
Utah	152,567
Virginia	258,553
West Virginia	23,791
Wisconsin	1,264,281
Wyoming	32,470
Total	19,140,000

IMPACT OF GRAMM-RUDMAN ON ETA EMPLOYEES

Mr. HOYER. Now, as a result of Gramm-Rudman-Hollings or actions that you are taking, can you tell me how are employees in your department being treated this year?

Mr. JONES. We have taken all of those cuts by reducing our overhead and travel and other kinds of expenditures and we have no RIF's and we have no furloughs and do not anticipate any either in 1986 or 1987.

We are managing our employment levels to ensure that we can continue to absorb those cuts on an attrition basis.

Mr. HOYER. We were teasing, Mr. Chairman, as we left the hearing this morning because I did not ask that question this morning and I was, I knew that things were in pretty good shape and therefore, I did not ask it but rightfully they were disappointed when I only ask them when there is bad news and not when they give me good news.

Let me observe and congratulate you but my premise has been, as you know all along in the five years that I have been in Congress, that with good management you can effect lower employee levels without RIF's and without demoralizing employee fears of RIF's whether they occur or not. And I am very pleased to see that you are following that.

I frankly think that the Administration has come to that same conclusion, and therefore, we are seeing a better management of savings and of reduction of employees by freezes in hiring as opposed to RIF's. I congratulate you and the Administration for a more sensitive policy.

Thank you very much, Mr. Chairman.

UI BASE STAFF

Mr. NATCHER. How many UI base staff will be funded in 1987 and how does this compare with 1986?

Ms. GOLDING. We are expecting to finance 38,744 base staff in 1987 and there were slightly fewer than that in Fiscal Year 1986, there were 37,226.

UI QUALITY CONTROL

Mr. NATCHER. What is the current status of the UI quality control program?

Ms. GOLDING. We are expecting to go to full implementation in that program at the end of March.

Mr. NATCHER. What is this program supposed to do?

Ms. GOLDING. This is a program that provides a more effective state management tool to identify errors that are occurring in UI benefits payments, initial benefit payments, but later to be extended to cover tax revenues and tax collections.

Identify those errors in a way that makes it possible for state administrators to identify the causes of those errors and develop corrective action to prevent those kinds of errors in the future.

Mr. NATCHER. Will there be any sanctions invoked against States that have high error rates?

Ms. GOLDING. No, sir, we do not have any plans for such sanctions.

Mr. NATCHER. How would you characterize the reaction of the States, as a whole, to the final design of the quality control program?

Ms. GOLDING. Based on the public comment and the redesign process launched by Secretary Brock when he came to the Department, I would say that following the comment process and the changes the state response has been very positive and very supportive.

Mr. NATCHER. How much are you budgeting for quality control in 1986 and how much in 1987?

Ms. GOLDING. It was about $29 million in 1986 after the Gramm-Rudman reduction and delayed start-up and about $41 million in 1987.

OVERSIGHT OF UI PROGRAM

Mr. NATCHER. In the management report on the Labor Department last October, the General Accounting Office offered some criticism of the Department's oversight of the unemployment insurance program. You people are aware of this criticism?

Mr. SEMERAD. Yes, we are.

Mr. NATCHER. Have you made any changes in your procedures as a result of the suggestions made in this report?

Ms. GOLDING. We have made some changes in our oversight. One of the things that they pointed to was that we did not have the quality control program in place and they strongly recommended

that we move forward with that as soon as possible. We have done so.

One of the things that they pointed out was that while there are a lot of oversight techniques in place, they are not always pulled together in a coherent way and that someone at Mr. Semerad's level or Secretary Brock's level could identify an overall picture of the health of the UI system.

We are working to be able to pull those pieces together in a more coherent total picture.

Mr. SEMERAD. I think, Mr. Chairman, another thing too, is that in the whole area of employment security, we have put a new emphasis on it. I think by bringing Shirley Peterson to Washington and by trying to stablize the whole Employment Training Administration Staff, we can begin to work on the substantive issues rather than everybody worrying about whether or not they were going to be riffed out of business.

In response to GAO criticism is that we really have done, I think, a good job, a sincere job of opening up the conversation with all of the groups that have a stake in this. And so we have, I would say, a very rich conversation going on now, throughout all the aspects of UI. We are trying to find better ways to deliver the product in a way that is consistent with the President's view of how the Washington Bureaucracy should intervene at the state and local levels.

So, I think that what we have here, we may not have all the answers yet, but we have got an awful lot of people, not only our own staff, but people out in the states, and, with these other organizations beginning to focus on these immediate issues, examining the longer term implications of what we are doing.

Mr. NATCHER. How many Federal staff are assigned to monitor and oversee the State employment security system?

Mr. SEMERAD. Everybody is shaking their head, Mr. Chairman.

Ms. GOLDING. I think it is over 600.

Mr. SEMERAD. We will have to supply that figure.

Mr. NATCHER. All right.

[The information Follows:]

STATE EMPLOYMENT SECURITY SYSTEM

During Fiscal Years 1984–1986, there were 650, 616, and 642 Federal staff respectively, assigned specifically to monitor and oversee the State employment system. This include both National and Regional staff in the Employment and Training Administration (ETA).

The State employment security system operates the Federal/State unemployment insurance program, the public employment service and the Trade readjustment Assistance, Redwood, Unemployment Compensation for Former Federal Employees, Unemployment Compensation for Ex-service-members, Disaster Unemployment Assistance and Extended Benefits programs. In addition to these resources, the Department's Office of Inspector General uses federal staff resources to audit these programs.

Mr. NATCHER. Has that number been reduced substantially during the last several years?

Mr. SEMERAD. Yes.

Mr. NATCHER. To what extent would you say?

Mr. SEMERAD. Well, we will have to give you a layout of the last three or four years.

Mr. NATCHER. All right, and please supply that for the record.
[The information follows:]

STATE EMPLOYMENT SECURITY SYSTEM—FEDERAL STAFFING

	Fiscal year—		
	1984 actual	1985 actual	1986 estimate
National office	346	321	337
Regional office	304	295	305
Total	650	616	642

EMPLOYMENT SERVICE STATE GRANTS

Mr. NATCHER. You are requesting $755,200,000. For Employment Service State grants, about the same as the 1986 revised level. Do you make any provisions at all for cost increases in 1987 or do the States just absorb the increases? Which way does it work?

Mr. JONES. They would have to absorb the increases, Mr. Chairman.

Mr. NATCHER. What is the basis for the proposed reduction of $32,210,000 for productivity savings?

Mr. JONES. We will have to provide that for the record.

Mr. NATCHER. All right.

[The information follows:]

BASIS FOR PRODUCTIVITY SAVINGS

The productivity savings reflects estimated savings resulting from the impetus of the JTPA amendments to the Wagner-Peyser Act in eliminating many Federal burdens that were costly for States to carry out and which restricted State initiative to design cost saving productive programs.

Mr. NATCHER. Is this an arbitrary reduction, or is it based on something?

Mr. JONES. Mr. Chairman, it is based on workload maintenance of the $755 million level but we will provide that for you.

[The information follows:]

BASIS FOR PRODUCTIVITY REDUCTION

The productivity reduction is consistent with the basic budget assumption on the funding necessary to maintain a nationwide employment service system in FY 1987.

Mr. NATCHER. Do you have an idea as to the number of State positions financed by Employment Service State allotments?

Mr. JONES. No, sir.

Mr. NATCHER. You will supply that for the record?

Mr. JONES. We can get you a general number as we do not collect that on a detailed basis.

[The information follows:]

NUMBER OF STATE POSITIONS FINANCED BY EMPLOYMENT SERVICE ALLOTMENTS

Funds are distributed under the needs based formula contained in the Wagner-Peyser Act and not on the basis of staffing as had been done in the past. Each State manages its formula distributed resources according to States and local program design and need for services. We do not collect information on State employment financed by the Wagner-Peyser allocations.

3 PERCENT DISCRETIONARY

Mr. NATCHER. How do you plan to allocate the 3 percent discretionary funds in 1986?

Mr. JONES. Well, we recently made an announcement to that effect which we will provide to the Committee. We did a public consultation of three or four options due to the criticisms that had been received and found that we had more criticisms of the new options than we did the old system so we have proceeded ahead with a decision. We will provide that for the Committee's benefit.

Mr. NATCHER. And also in the record, supply a table showing the 3 percent allocations by State for 1985 and 1986.

Mr. JONES. Certainly.

[The information follows:]

ALLOCATION OF THE WAGNER-PEYSER 3%
DISCRETIONARY FUND

The following table shows the allocation of the Wagner-Peyser 3% discretionary fund for PY 1985 and PY 1986. The PY 1986 estimates are based on planning estimates using preliminary labor market information and do not reflect the $3,911,000 negative supplemental.

	'85 Actual	'86 Preliminary
Alabama	0	61,329
Alaska	1,054,457	1,027,850
Arizona	468,789	0
Arkansas	752,588	833,570
California	0	0
Colorado	0	0
Connecticut	435,774	0
Delaware	64,126	62,507
Dist. of Columbia	559,950	620,203
Florida	0	0
Georgia	0	0
Hawaii	299,616	331,856
Idaho	878,550	856,381
Illinois	0	0
Indiana	0	0
Iowa	956,168	1,059,057
Kansas	104,705	0
Kentucky	0	0
Louisiana	0	0
Maine	522,465	509,282
Maryland	0	0
Massachusetts	0	7,997
Michigan	0	0
Minnesota	0	0
Mississippi	830,043	919,360
Missouri	0	0
Montana	717,956	699,840
Nebraska	862,842	841,070
Nevada	697,928	680,318
New Hampshire	0	0
New Jersey	0	0
New Mexico	805,673	785,343
New York	5,769,682	6,390,531
North Carolina	0	0
North Dakota	731,093	712,646
Ohio	0	0
Oklahoma	1,319,193	1,461,146
Oregon	923,381	1,022,742
Pennsylvania	0	0
Puerto Rico	0	0
Rhode Island	277,744	305,857
South Carolina	0	0
South Dakota	675,699	658,649
Tennessee	0	0
Texas	618,422	0
Utah	1,477,836	1,440,545

ALLOCATION OF THE WAGNER-PEYSER 3%
DISCRETIONARY FUND

Vermont	316,536	308,549
Virginia	0	0
Washington	0	0
West Virginia	0	216,411
Wisconsin	256,484	0
Wyoming	524,240	511,011
Formula Total	22,901,940	22,324,050

Mr. NATCHER. Has there been a substantial shifting of funds among States over the past few years as a result of the Wagner-Peyser statutory formula?

Mr. JONES. There was the first time the formula was run compared to the old balanced placement formula system. There has not been a substantial change in the sequence after that since we have switched to the civilian population base.

STATUS OF NATIONAL JOB BANK SYSTEM

Mr. NATCHER. What is the current status of the national job bank system?

Mr. JONES. We will have to provide that for you.

[The information follows:]

STATUS OF NATIONAL JOB BANK SYSTEM

The Interstate Job Bank (IJB) center in Albany, New York distributes job orders weekly to all States. These are the individual State public employment service agencies.

During any given week, there are approximately 4,000 job orders containing about 8,000 openings available in the IJB. Over the past year, 50,200 job openings were distributed, about half were jobs in professional and managerial occupations with about 12 percent in machine trades and 10 percent in structural occupations. The median salary for all jobs in IJB is about $22,000 per year.

Mr. NATCHER. And give us some idea as to how much you spend now on this system.

[The information follows:]

Expenditures for National Job Bank System

Fiscal year:	
1985 (actual)	$1,483,000
1986 (estimate)	1,430,000
1987 (estimate)	1,494,000

STATUS OF AUTOMATION REPORT

Mr. NATCHER. What is the status of the automation report required by the 1986 appropriation act and tell us if you will meet the June 1 deadline?

Mr. JONES. Yes, sir, we intend to meet the June 1 deadline and we have been having a series of discussions with States and ourselves as to exactly what that means and what kinds of things are to be included there. But we are gathering information and we will meet the June 1 deadline.

DOD REIMBURSEMENTS TO UTF

Mr. NATCHER. There is a provision in the Department of Defense appropriation bill that limits the DOD reimbursement to the unemployment trust fund for unemployment costs.

Does this provision have an adverse effect on the Federal employees compensation account in the trust fund?

What would you say about it?

Ms. GOLDING. Yes, sir, the line item has not been sufficient to enable the Department of Defense to pay for all of the reimbursable charges against their account and that is one contributing factor to our continuing need for advances, to cover the reimburse-

ments under the unemployment compensation for Federal employees program.

Mr. NATCHER. When the DOD reimbursement is short of the mark, what must the Labor Department then do?

Ms. GOLDING. We have been meeting with the Department of Defense people to try to come up with a way to more accurately forecast what it is they need for those reimbursements in future years so that the Congress and DOL will both have an accurate estimate and we will not have this problem with the estimate being too low and the actual charges coming out higher.

I think that is the long-term answer. In the interim, the impact is that we need to keep requesting advances to cover the charges.

BALANCE OWED TO THE GENERAL FUND

Mr. NATCHER. How much is owed by the Federal unemployment account to the general fund?

Ms. GOLDING. We will have to supply that for the record, sir.

Mr. NATCHER. You cannot give us any idea at all as to the amount?

All right, put it in the record.

[The information follows:]

FEDERAL UNEMPLOYMENT ADVANCES OWED TO THE GENERAL FUND

A total of $7.3 billion was owed to the General Fund as of the end of FY 1985.

Mr. NATCHER. When do you expect that balance to be repaid?

Ms. GOLDING. We will have to supply that for the record, as well.

[The information follows:]

FEDERAL UNEMPLOYMENT ACCOUNT BALANCE

The balance owed by the Federal Unemployment Account to the general fund is estimated to be repaid by FY 1989.

Ms. GOLDING. Well, under the extended unemployment compensation account, we expect that account to have repaid its balances to the general treasury by the end of Fiscal Year 1987 which means that that extra 2/10 tax will come off effective January 1, 1988.

REDWOOD NATIONAL PARK BENEFITS

Mr. NATCHER. How much longer will payments be required under the Redwood National Park amendments of 1978?

Ms. GOLDING. At least through 1989.

Mr. NATCHER. How many people are now receiving these benefits?

Ms. GOLDING. Primarily the benefits that are being paid now are retirement and health and retirement contributions on behalf of workers and then a few benefit payments to workers who are aged 65 and over.

We can give you the exact numbers for the record. The number is dropping every year as you might expect.

[The information follows:]

REDWOOD BENEFIT PAYMENTS

Ninety individuals are currently claiming weekly benefits from the Redwood program. Another thirty-five are potentially eligible but because of earnings or other reasons are not claiming weekly benefits.

EMPLOYMENT SERVICE RESCISSION

Mr. CONTE. Under the Employment Service Program you are proposing a rescission of nearly $4 million in grants to the States, plus an additional reduction below the Gramm-Rudman level in fiscal year 1987.

We are continually hearing from the States that there is not enough money already. So what is your rationale for proposing these decreases?

Mr. JONES. That is to continue to maintain the operational level of $755 million, that we think is appropriate for operating the Employment Service System.

The additional funds were those added by the Congress just for inflation. We continue to think that the system can operate without that add-on. It does require, no question about it, States continuing to live within their own resources, and to make decisions about how many staff, and what offices they are going to operate.

But rather than continue to increase it every year, to maintain a system, irrespective of the direction of the economy, or the shifts within the States, we think it is appropriate to maintain it at the $755 million level.

PRODUCTIVITY SAVINGS

Mr. CONTE. You know, we have been hearing about "productivity" increases a lot recently. Nearly every day you hear about it in this Committee, and, as far as I can tell, it is kind of a catch-word for applying broad percentage cuts.

In both the Employment Service and the Unemployment Compensation Program, how do you factor in these productivity increases?

It would seem to me that if you applied it across-the-board, you certainly would hurt those States that have already become very efficient. You can only squeeze so much out of it.

Ms. GOLDING. In the case of unemployment insurance, the productivity reductions are really generated by automation grants that have been supplied in earlier years, and those reductions will not be applied across the board.

They will be applied to the States, based on an agreed upon cost recovery schedule that they, and we, have negotiated, in response to our granting them the automation money.

In other words, they are going to tell us how much more efficient they have become, and what that means in dollar savings, and then it is that amount that we will recover from those States who got the benefit of an automation grant.

GOVERNOR'S 10 PERCENT FUNDS

Mr. CONTE. Do you have any estimates of how much of each Governor's 10 percent set-aside under the Employment Service Pro-

gram goes back into the system to cover shortfalls, and how much actually goes to model programs and projects?

Mr. JONES. We will provide that.

Mr. CONTE. All right.

[The information follows:]

GOVERNOR'S 10 PERCENT DISCRETIONARY FUND

Expenditure data are not reported by the States on this level of detail, nor are State plans required to be submitted to the National Office. However, review of Program Year 1984 plans reflected a significant diversity among States regarding the use of these funds. Efforts to draw a comprehensive national picture of fund use was limited by the fact that State plans varied greatly with respect to the amount of detail and lack of distinction between preliminary versus actual plans.

About 40 percent of the Governors planned to finance performance incentives with part of their reserve, and approximately 80 percent planned some money to fund activities for serving special need groups and/or conducting exemplary models for service delivery.

Some States did plan to use these funds to maintain staff levels.

NATIONAL LABOR MARKET EXCHANGE

Mr. CONTE. Are we getting good use out of the national job bank system?

Mr. JONES. We are getting use out of it. I am not so sure that it is good use. It depends on——

Mr. CONTE. Why is it not good use?

Mr. JONES. Well, I think the problem continues to be the basis for the construction in the first place, as to whether or not people across the country do in fact access job markets in other parts of the country with the intent of moving and use that system for that purpose.

History suggests that a majority of our work force moves on other bases than that, and the most effective use of the Employment Service continues to be a more localized operation than does a broader-based one.

Mr. SEMERAD. This is another issue that we are really examining in the larger picture. You have to draw some conclusions between the difficulty of getting folks to relocate, and a national job bank, and I am sort of at the point where I believe that most of the labor market exchange is regional.

I mean, most of it is within the State, but at the very greatest it is regional, and we should re-think this idea of why are we creating a national labor market exchange, if, indeed, it is not very useful. Is it really useful to run an expensive system covering workers in Maine, and Southern California? I tend to think not, because the relocation trends, and the difficulties tend to suggest that even if the jobs are there, even if they knew about it, they are not going to move no matter what the hardships is.

So we are looking at that. I am very uneasy, frankly. I did not say anything on the automation grants. In my judgment, the labor market exchange can be enhanced by automation and modern technology, but if your basic premise is that we need a "national labor market exchange," then I would say that we are maybe not using the monies available quite as effectively as we might.

But that is a very real question that deserves our attention down the road, to see what is coming, and how we can better improve, rather than just throwing something out, or trashing it.

We need to think better about what is coming, and create a labor market exchange system that will be more effective from both the employer's and the worker's standpoint.

Mr. CONTE. You mentioned how most of the workers settle within the State, rather than going from State to State. Do you have any figures on how many workers using the Employment Service Program find work in States other than the one in which they applied?

Ms. GOLDING. I do not think we have Employment Service figures because we have greatly decreased the amount of information we collect for the Employment Service reporting system.

We do have something comparable in Unemployment Insurance, and that tells us that about 5 percent of the people that claim unemployment insurance benefits claim it through the interstate system.

Now some of those are the kinds of situations that Mr. Semerad was talking about, where it is an Indiana claimant, perhaps, claiming in Illinois, or some other, New Jersey-Pennsylvania border State thing.

Very few of them, a very small percentage, show great geographic discrepancies between the initial State where the wage credits were earned, and the State in which the claim is ultimately filed.

BLACK LUNG TRUST FUND

Mr. CONTE. I am glad to see the request for General Revenues going to the Black Lung Trust Fund finally going down.

How much more can we reduce that request, if the coal tax increase presently in the Reconciliation Bill is enacted?

Ms. GOLDING. ESA will answer all those questions.

Ms. Wyrsch. Under the Reconciliation Bill, Congressman, $417 million will not be needed in advances, due to the increase in the coal tax and the "forgiveness of interest payments" provision in the Bill.

Mr. CONTE. What is the current debt owed to the Treasury by the Black Lung Trust Fund?

Ms. Wyrsch. Nearly $3 billion.

Mr. CONTE. Unbelievable. What rate of interest is charged on these advances to the trust funds?

Ms. Wyrsch. The rate of interest charged on advances is based on the Treasury interest rate in effect at the time advances are drawn down. The rate remains in effect for the life of each loan.

Mr. CONTE. Can you provide us with an historical chart showing the amount paid into the trust fund through the coal tax and the amount advanced from the Treasury each year, since the funds inception?

Ms. Wyrsch. We will be glad to do that.

[The information follows:]

DISABILITY TRUST FUND

Below is a chart showing the amount of coal tax receipts paid into the Trust Fund and amount of advances from the Treasury since the Fund's inception.

	Coal tax receipts	Advances
Fiscal year:		
1978	$92,050,000	$18,925,000
1979	221,614,000	400,809,000
1980	272,262,000	535,837,000
1981	236,635,000	554,778,000
1982	490,746,000	283,002,000
1983	493,685,000	357,773,000
1984	518,464,000	346,063,000
1985	[1] 581,390,000	335,545,000
1986 [2]	230,590,000	3,843,321

[1] Includes an overstatement of $19,594,000 which was not credited/reversed before the FY 1985 Treasury Combined Statement was finalized. Actual coal tax receipts in FY 1985 were $561,796,000.

[2] Reflects amount of coal tax receipts and advances as of March 1, 1986. The President's budget estimates for coal tax receipts and advances are $546,000,000 and $411,488,000, respectively for FY 1986.

TARGETED JOBS TAX CREDIT EXPIRATION

Mr. CONTE. Mr. Semerad, I was very disappointed to see the expiration of the Targeted Jobs Tax Credit Program. I think the program goes a long way towards helping groups whose unemployment rate is traditionally above the national average.

Why does the Department not support extension of the program?

Mr. SEMERAD. I think that on the Targeted Jobs Tax Credit, clearly, the Treasury Department was not in favor of anything that would be a further drain on the revenues.

The experience that we have had with the Targeted Jobs Tax Credit has been that it has not really created a lot of new jobs, that your big employers, that have big accounting staffs, learn to use it very effectively and very much to their advantage, and I suppose it helped workers.

Where the largest number of employees, especially entry-level in the targeted groups, find work, is in organizations, companies, "Mom and Pop" stores, that do not have the wherewithal to go through the tax system and the additional forms, and basically have a fairly usual, I guess, resistance or anxiety over another set of tax forms.

It is interesting, because as I examined this, I was sort of waiting for a big flood of folks to come in and say, "Gee, we've been up on the Hill talking to Mr. Conte and we think this is a great thing." Well, it did not come.

The only people that came to see me about it, frankly, were the jobbers, the Employment Service people who do very well in supplying workers who qualify for that and helping them.

But it was hardly an outcry for retention of TJTC.

Mr. CONTE. Do you have any data on how much it cost, or how many took advantage of it? Any data at all?

Mr. JONES. Yes, sir. There is a study that has been out, now, and another one that is coming out shortly, that will provide probably the best backdrop for the whole program. It is not only the data, but some view of the effectiveness of it.

The first study that I think the Congress now has was done on the first program, as you recall, before the legislative amendments were made, and clearly demonstrated, not only was it not a productive employment tool, but it was beneficial to only a very few groups of people. The Congress then changed the law.

And the Macro study which will be out here in the next couple of months, probably will show some significant improvements, but still leaves you with the issues——

Mr. CONTE. You feel it left a lot to be desired?

Mr. JONES. Yes, sir.

Mr. CONTE. Thank you, Mr. Chairman.

Mr. NATCHER. Mr. Hoyer.

AUTOMATION GRANTS REQUESTS

Mr. HOYER. Thank you, Mr. Chairman. Just a few questions. Back on automation grants, we have $20 million. What are the requests for automation grants? How does that relate to the request?

Ms. GOLDING. We had more than twice as many requests as we could finance this year. Our own reaction to those was that a significant number of them were technically, the proposals were technically flawed.

If we had had twice as much money, we would not necessarily have funded them.

Mr. HOYER. How much have we provided in automation grants the last few years?

Ms. GOLDING. We have had, I believe, this $20 million account for three years. In addition we have been using, funds from the Contingency Accounts, as some States have converted their operations from wage request to wage record. Frequently that involves a significant investment in automation.

So we have been granting money automation purposes from the Contingency Account as well. We estimated, I think, and we requested in 1986, $10 million within the Contingency Account for that kind of thing. I believe we are requesting $10 million again in 1987 for that kind of automation support.

ECONOMIC ASSUMPTIONS

Mr. HOYER. Last question. In the event we are wrong on our projections on unemployment, Congress, and the Budget Committee is obviously going to use the Administration's economic assumptions for purposes of Gramm-Rudman. If we miss by two-tenths of a percent, how does that affect it?

Ms. GOLDING. If we miss by two-tenths of a percent on the insured unemployment rate, we would have to come back for a supplemental request to cover that.

Mr. HOYER. What is a tenth of a point? Do you know?

Ms. GOLDING. It is about 25 to $30 million for a tenth of a point in the Contingency Account. That is working from a base of 2.0 million, average weekly insured unemployed.

Mr. HOYER. Thank you. Thank you, Mr. Chairman.

Mr. NATCHER. Any other questions, gentlemen?

Mr. CONTE. I will submit them for the record.

Mr. NATCHER. Mr. Semerad, we want to thank you and your associates for appearing before our committee at this time, on behalf of your budget request for fiscal year 1987.

This concludes the hearings for the Department of Labor on the budget request for fiscal year 1987. Beginning in the morning, we will take up the Department of Health and Human Services. The Secretary will be with us at 10:00 o'clock, and now the committee will adjourn until 10:00 o'clock in the morning. Thank you very much.

[The following questions were submitted to be answered for the record:]

PRIVATE AGENCY REFERRALS

Mr. Natcher: In appropriations hearings last year, the Department indicated that it was unaware of any uncertainty on the part of States regarding how private agency referrals should be implemented. Given that virtually no progress has been made by Labor or the States in implementing the intent of this provision, what does the Department now intend to do?

Mr. Semerad: The Department has collected information on this issue and will send a directive to States encouraging them to contact private employment agencies which do not charge a fee of the applicant, for the purpose of expanding job openings and increasing placement opportunities for job seekers. In addition the Department will issue revised guidance to assure consistent standards in the conduct of compliance reviews related to provisions of section 13 (b). Concurrently, the Department will encourage States to work with their employer community to develop plans for improving the quality of services to these employers, through the use of private employment agencies.

FUTA TAX CONTRIBUTIONS FOR EMPLOYMENT SERVICE

Mr. Natcher: The extent to which ES services are provided to different employers--and the cost of these services--bears little relationship to employers' FUTA tax contributions which pay for ES. Does Labor intend to examine whether employers' contributions to support ES should be adjusted in relation to the ES services provided to them?

Mr. Semerad: The standard FUTA tax paid by all covered employers is used to fund administrative costs of both UI and ES, to pay the Federal share of extended benefits, and to provide the loan fund for States which cannot meet current benefit costs. It is a flat rate tax because of the decision made at the beginning of the UI program in 1935 that a public non-fee charging ES system was needed to assist benefit claimants to find new work in order the reduce the length and cost of benefit payments. Prompt reemployment of benefit claimants is thus of value to all employers, whether or not they use the facilities of the ES to hire new workers.

TARGETED JOBS TAX CREDIT CLAIMED AMOUNT

Mr. Conte: Do you have figures on how much was claimed in tax credits in FY 1985?

Mr. Semerad: The actual tax credits claimed by employers in FY 1985 is not known because the Treasury Department does not record tax credits claimed by category.

COMPARISON OF TARGETED JOBS TAX CREDIT PROGRAM WITH OTHER PROGRAMS

Mr. Conte: Do you have any studies that show results, such as employment stability and increased wages, of workers who benefited under the tax credit as compared to the achievements of other programs serving similar disadvantaged groups?

Mr. Semerad: Comparison under TJTC with other programs have not been made, primarily because of the differences in the objectives of the programs. TJTC is a "job creation" oriented program using a tax incentive for employers to open up jobs for groups more disadvantaged in the labor market than the general job seeker population. Other programs tend to be training oriented in vocational or trade skill training and thus comparisons are inappropriate.

PLACEMENT RATE UNDER THE TARGETED JOBS TAX CREDIT PROGRAM

Mr. Conte: What have been the placement rates of the various targeted groups certified under the program?

Mr. Semerad: Placement and TJTC certification are essentially synonymous--both indicate the number of TJTC participants who obtain jobs. While data is not available on eligible target groups who get vouchered, the percent of vouchered who were certified during Fiscal Year 1985 is as follows:

	Percent
Summer Youth	53
Youth	58
Veterans	40
Ex-Convicts	37
Handicapped	43
General Assistance	30
SSI	48
AFDC	31

TRADE ADJUSTMENT ASSISTANCE

Mr. Conte: Another program that I strongly support, Trade Adjustment Assistance, is on the verge of dying out. We funded the training and relocation part of the program in the Continuing

Resolution at $26 million. But the Ways and Means Committee failed to get an extension of the unemployment compensation side of TAA, and you shut that part of the program down in December, and there is nothing in this budget request for the program. We have gone over this before with the Secretary and the Department, so I won't ask you to repeat it here now. If you would, for the record, provide us with a statement explaining why the language we carried in our bill was not sufficient to continue the compensation side of the program?

Mr. Semerad: Our review of authorizing and appropriations legislation and legislative history showed that the Congress intentionally omitted the extension of authority for the Trade Adjustment Assistance program, of which trade readjustment allowances are a part, when both Houses acted on H.R. 4006 on December 30, 1985. The review also showed that in acting on the Fiscal Year 1986 Labor-HHS Appropriations bill, the House and Senate committees both explicitly stated that the appropriation included amounts for trade readjustment allowances only for weeks of unemployment occurring before expiration of the authorizing statute. Consideration of the need for further appropriations was deferred pending a Congressional decision on reauthorization. The appropriation bill itself provided no authority to continue payment of trade readjustment allowances after expiration of Trade Adjustment Assistance on December 19, 1985.

Given this situation, the Executive Branch could not reasonably conclude that the Congress acted to continue trade readjustment allowances.

AUTOMATION GRANTS AWARDS

Mr. Conte: On a happier note, I see that the Department is pleased with Joe Early's and my automation program. You've requested the full $20 million again in FY 1987. Tell me, how many States will receive grants in FY 1986? Did you receive requests from all the States?

Mr. Semerad: Thirty five States submitted proposals and twenty five received FY 1986 automation grant awards.

AUTOMATION GRANTS NEEDS AND BACKLOG

Mr. Conte: Now that the program has been in operation for three years, are we getting a grip on what the overall automation needs of the States are, and what a sufficient level of funding might be to catch up on the automation backlog?

Mr. Semerad: The UI automation grants are intended to be used as a fund of last resort for automating State UI operations.

The Department has funded $60 million for replacement of obsolete software and hardware since fiscal 1984 and an additional $20 million is included in the President's Fiscal Year 1987 budget. Although the States have requested nearly twice the available amount in each of the last three fiscal years, a review of State proposals by an independent panel of experts has shown that most proposals which merited funding received grant awards.

QUALITY CONTROL PROGRAM

Mr. Conte: Going back for a minute to the Unemployment Compensation program. Can you give us an update on the Department's efforts on UI Quality Control?

Mr. Semerad: The Department launched and completed a public review of the Quality Control program this fall. A number of technical changes were made as a result of the review. As a result, States will begin to implement the modified QC program in 1986.

A Roundtable group has been established consisting of representatives of business, organized labor and States to assist the Department in implementation of the QC program and to ensure that consultation on the design is continued.

STATES REACTION TO THE QUALITY CONTROL PROGRAM

Mr. Conte: In developing that program you solicited the views of interested parties, including States. How would you characterize the States' reaction to the final design of the Quality Control program?

Mr. Semerad: State reaction to the revised Quality Control (QC) design has been positive. Many of the States comments and recommendations have been incorporated into revised design for the QC program.

BENEFITS UNDER UNEMPLOYMENT INSURANCE PROGRAM

Mr. Conte: What percentage of the nation's unemployed actually received benefits under the UI program?

Mr. Semerad: The percent has varied over time. For January and February 1986 the percents are 38 and 36 respectively. This reached a high of 81 percent in April 1975 with a national extended benefit trigger on and Federal supplemental benefits in place providing up to 65 weeks of benefits. In January and February 1986 only Alaska and Puerto Rico were paying extended benefits, with benefits limited to 26 weeks in other States.

BENEFITS TO WORKERS BECAUSE OF NATURAL DISASTERS

Mr. Conte: Under the Unemployment Compensation program States also have the responsibility of handling benefits to workers unemployed because of natural disasters. Does the Federal Emergency Management Agency (FEMA) provide both benefits and the additional administrative expenses to the States?

Mr. Semerad: Yes, FEMA provides all costs including benefits and State as well as Federal administrative cost.

AUTOMATION GRANTS REDUCTION

Mr. Early: How will the $860,000 reduction due to sequestration impact the U.I. automation initiative in fiscal 1986?

Mr. Semerad: Of the States approved for UI automation grants, the State proposal ranked lowest based on published criteria will be reduced by $860,000.

ASPECT OF AUTOMATION GRANT AWARDS

Mr. Early: Which aspect of the automation of the UI operation was emphasized in the fiscal 1986 round of grant awards?

Mr. Semerad: In FY 1986 ETA awarded $19.1 million to States who proposed projects consistent with the following UI automation goals and priorities:

- Producing administrative savings and/or trust fund savings, which could be reflected in payback plans;
- Producing measurable improvements in basic UI operations; and
- Reflecting good strategic design and technical merit

Through this process, States received funds for replacement/new equipment such as main-frame computers, microcomputers, telecommunications equipment, terminals, optical character readers, and disk storage; and for software improvement projects for State benefit, tax and appeals systems.

PRIMARY FOCUS OF AUTOMATION GRANT AWARDS

Mr. Early: What will the primary focus of the fiscal 1987 automation grants awards be?

Mr. Semerad: In FY 1987 emphasis will be placed on providing funding for three types of projects: (1) projects which have clearly identified basic UI operations which can benefit from automation. These projects will be expected to show payback, administrative savings, measurable improvements and technical merit in sufficient detail to place them in the fundable range; (2) State conversions from wage request to wage record reporting to meet the requirements of the Deficit Reduction Act of 1984; and (3) projects which document the need for replacement of costly or poorly operating equipment whose replacement would produce measurable improvements in the Secretary's desired levels of achievement and have a significant level of payback.

AUTOMATION GRANT AWARD RECIPIENTS

Mr. Early: Provide a comprehensive list of the automation grant award recipients and the amounts they have received since fiscal 1984.

Mr. Semerad: A total of 43 States have received UI automation grants since FY 1984 in the following amounts:

STATE	AMOUNT	STATE	AMOUNT
Connecticut	$2,322,201	Louisiana	$833,000
Maine	162,248	New Mexico	1,769,330
Massachusetts	4,170,720	Oklahoma	400,000
New Hampshire	1,037,000	Texas	2,590,889
Rhode Island	57,927		
New Jersey	302,495	Iowa	796,152
New York	620,244	Missouri	1,685,854
Puerto Rico	1,337,823		
Delaware	601,000	Colorado	2,382,424
Dist. of Col.	674,431	Montana	437,936
Maryland	2,518,907	North Dakota	1,350,000
Pennsylvania	6,774,204	South Dakota	688,908
Virginia	824,998	Utah	1,367,567
West Virginia	23,791	Wyoming	876,915
Kentucky	222,990	Arizona	2,247,975
North Carolina	2,442,493	California	4,556,570
South Carolina	159,289	Hawaii	805,450
Tennesse	500,000	Nevada	682,400
Illinois	2,244,400	Alaska	389,799
Indiana	2,728,448	Idaho	79,933
Michigan	1,041,945	Washington	254,619
Minnesota	2,271,048		
Ohio	1,874,753		
Wisconsin	1,396,868		

STATES NOT RECEIVING AUTOMATION GRANT AWARDS

Mr. Early: Which States have not been successful in receiving automation awards?

Mr. Semerad: Nebraska, Oregon and Vermont are the only States which submitted proposals but have not received funding. Mississippi, Alabama, Florida, Georgia, Kansas and the Virgin Islands have not submitted any proposals.

AUTOMATION GRANT SAVINGS

Mr. Early: Briefly explain the overall administrative and benefit savings, in dollar terms, as a result of the automation initiative thus far? Indicate the savings achieved for each year, and give the fiscal 1987 estimate.

Mr. Semerad: The following table reflects the estimated savings as a result of grants awarded in Fiscal Years (FY) 1984, 1985 and 1986. The amounts are agreed upon administrative and benefit savings accuring to the trust fund contained in approved State Employment Security Agency proposals. It is premature to estimate savings attributable to FY 1987. Such amounts cannot be identified until specific proposals are submitted by the States.

Year	Administrative	Benefit Savings
1985-86	$51,850,279	$139,690,724
1987	42,535,835	117,112,364
1988	21,892,097	60,804,744
1989	18,894,337	55,882,842
1990	295,900	2,715,151
Total	135,468,448	376,205,825

AUTOMATION GRANTS PAYBACK

Mr. Early: Do all the automation grants require a payback? Is there a standard payback formula or requirement? How are paybacks determined?

Mr. Semerad: Payback is an important screening factor used to award automation grants but it is not a flat requirement. There is no fixed formula used to determine payback. States are responsible for developing and proposing the amount of payback and the methodology used in calculating it.

INTERNET SYSTEM

Mr. Early: The justification notes that all States will be participating in the automated transfer of wage data via the Internet system. Would you explain how the system operates and what new applications of the system you plan to test?

Mr. Semerad: The Interstate Telecommunication Network (Internet) is a voluntary State operated computer network that provides for the communication of data pertaining to UI claims between the 53 State Employment Security Agencies. States do not communicate directly with each other. The Network is configured by connecting each State's central processing unit (CPU) to one of the three "HUBs". The "HUBs" are inter-connected by leased line to create the nationl network.

Currently, States communicate daily to transfer interstate claims data and related messages; weekly for statistical data exchanges; and quarterly for the Interstate Crossmatch/Claimant Locator. The implementation of the transfer of Federal claims control and Military Service verification data between the States and the Louisiana Claims Control Center is underway. Automated transfer of employment and wages between States is currently being documented and tested. Testing the feasibility of using the Internet to update the Interstate Job Bank and to locate delinquent employers is planned for FY 1986.

UNEMPLOYMENT INSURANCE NATIONAL ACTIVITIES

Mr. Early: Will any new activities be supported under the UI National Activities account? If so, what will they be?

Mr. Semerad: There will be no new activities in this account. The Interstate Telecommunication Network (Internet) and Claims Control System continue to be supported by national activities funds.

GOVERNOR'S 10 PERCENT SET-ASIDE

Mr. Early: What types of activities are being supported under the governor's 10 percent set-aside of the Employment Services grants for performance initiatives and special target groups? Could you give us an indication of what the average size of these awards are?

Mr. Semerad: In a review of PY 1984 State plans, 14 States indicated that they would provide added staff for selected ES offices. The plans also indicate that performance incentives would be based on the number of individuals placed and would be provided to local offices exceeding placement goals. In plans offering to use the set-aside for special target groups, the States would outstation ES staff in high schools, vocational education centers, colleges and correctional institutions. One State planned to maintain an older worker job bank. Two plans called for use of sign-language interpreters. Financial data currently reported is summary data and does not reflect the level of detail by awards or projects.

EMPLOYMENT SERVICE NATIONAL ACTIVITIES

Mr. Early: Part of the requested increase for Employment Services National Activities is to be used to meet the demand for more timely listings of job openings. What is causing the problem employers are having in this regard, and how will it be addressed?

Mr. Semerad: The reference to timely listings is to the Interstate Job Bank system and not to base operations. Employer job openings distributed to State public employment service offices

through the Interstate Job Bank, provide for nationwide exposure of employers jobs. These jobs are updated and distributed weekly on microfiche through the Interstate Job Bank Center. The jobs included on the Interstate listing are those which a State agency is unable to fill from an existing labor supply within their State. Therefore, these are jobs not usually filled promptly and a considerable delay in transmitting applications, determining employer reactions, and obtaining response, is related to the system. Any actions, such as telecommunications, to speed the receipt, dispatch and response will improve the services to applicants and employers. The Department, as part of its overall review of the Employment Service will look at ways to improve timelines of this activity.

EMPLOYMENT AND TRAINING ADMINISTRATION

FEDERAL UNEMPLOYMENT BENEFITS AND ALLOWANCES

	Page No.
Appropriation language and explanation of language change	1
Analysis of appropriation language	2
Amounts available for obligation	3
Summary of changes	3
Budget Authority by activity	4
Budget Authority by object	4
Significant items in FY 1986 House and Senate Appropriations Committees Reports	5
Authorizing legislation	5
Appropriation history	6
Justification:	
Appropriation	7
General statement	7
Activities:	
Trade adjustment assistance	8
Unemployment assistance and payments under other Federal unemployment programs	9

EMPLOYMENT AND TRAINING ADMINISTRATION

FEDERAL UNEMPLOYMENT BENEFITS AND ALLOWANCES

For payments during the current fiscal year of benefits and payments as authorized by title II of Public Law 95-250, as amended, [and of trade adjustment benefit payments and allowances, as provided by law (part I, subchapter B, chapter 2, title II of the Trade Act of 1974, as amended)] 1/ [$10,000,000] *$4,000,000*, together with such amounts as may be necessary to be charged to the subsequent appropriation for payments for any period subsequent to September 15 of the current year: *Provided*, That amounts received or recovered pursuant to section 208(e) of Public Law 95-250 shall be available for payments. (*Department of Labor Appropriation Act, 1986.*)

Explanation of Language Change

1/ Trade adjustment benefit payments and allowances as provided by part I, subchapter B, chapter 2, title II of the Trade Act of 1974, as amended expired December 19, 1985.

FUBA-2

ANALYSIS OF APPROPRIATION LANGUAGE

Language Provision	Explanation
"...together with such amounts as may be necessary to be charged to the subsequent appropriation for payments for any period subsequent to September 15 of the current year..."	This provision gives limited flexibility to use funds appropriated for the next fiscal year in the current year if Federal claims for benefits exceed anticipated levels.
"...amounts received or recovered pursuant to section 208(e) of Public Law 95-250 shall be available for payments."	This language permits the monies returned or recovered to be added to budget year availability for payment of benefits.

FUBA-3

AMOUNTS AVAILABLE FOR OBLIGATION

	1985	1986	1987
A. Appropriation	$75,000,000	$10,000,000	$4,000,000
Offsetting collections from: Federal funds	---	18,000,000	---
B. Total Available Budget Authority	75,000,000	28,000,000	4,000,000
Unobligated balance lapsing	-26,427,000	---	---
C. Total, estimated obligations	48,573,000	28,000,000	4,000,000

SUMMARY OF CHANGES

	1986	1987	Net Change
Budget Authority: General Funds	$28,000,000	$4,000,000	-$24,000,000

General Funds

Explanation of Change:

Decreases:

Built-In:

To provide for a decrease in benefits paid for Trade adjustment assistance as a result of the expiration of the program	-23,000,000
To provide for a decrease in the amount of program costs paid under the Redwood Program	-1,000,000
Total Decrease	-24,000,000
Total Change	-24,000,000

FUBA-4

BUDGET AUTHORITY BY ACTIVITY

	1985 Comparable	1986 Appropriation	1986 Estimate	1987 Estimate	Change
Budget Authority applied to General Funds:					
1. Trade adjustment assistance	$70,000,000	$5,000,000	$23,000,000	---	-$23,000,000
2. Unemployment assistance and payments under other Federal unemployment programs	5,000,000	5,000,000	5,000,000	$4,000,000	-1,000,000
Total Budget Authority	75,000,000	10,000,000	28,000,000	4,000,000	-24,000,000

BUDGET AUTHORITY BY OBJECT

	1985 Comparable	1986 Estimate	1987 Estimate
Grants, subsidies and contributions	$75,000,000	$28,000,000	$4,000,000
Total, budget authority by object	75,000,000	28,000,000	4,000,000

SIGNIFICANT ITEMS IN 1986 HOUSE AND SENATE APPROPRIATIONS COMMITTEES REPORTS

Item

1986 House Report (No. 99-289)

No specific actions recommended.

1986 Senate Report (No 99-151)

No specific actions recommended.

1986 Conference Report (No. 99-402)

No specific actions recommended.

AUTHORIZING LEGISLATION

	Budget Request	
	1986	1987
Legislation		
Authorizing legislation containing indefinite authority		
Part I, Subchapter B, Chapter 2, Title II, of the Trade Act of 1974, as amended (19 U.S.C. 2101)	$23,000,000	1/ ---
Title II of P.L. 95-250 (The Redwood National Park amendments)	5,000,000	$4,000,000

1/ The authorization for this program expired December 19, 1985.

FUBA-6

APPROPRIATION HISTORY

	Budget Estimates to Congress	House Allowance	Senate Allowance	Appropriation
1977.....	$ 860,000,000	$ 860,000,000	$ 860,000,000	$ 860,000,000
1978.....	1,200,000,000	1,200,000,000	1,200,000,000	1,200,000,000
1979.....	950,000,000	950,000,000	950,000,000	950,000,000
1980.....	950,000,000	950,000,000	950,000,000	950,000,000
1981.....	1,260,000,000	1,260,000,000	1/	1,875,060,000
1982.....	306,000,000	306,000,000	306,000,000	306,000,000
1983.....	35,000,000	35,000,000	280,000,000	230,000,000
1984.....	7,000,000	7,000,000	12,000,000	12,000,000
1985.....	56,000,000	56,000,000	75,000,000	75,000,000
1986.....	10,000,000	10,000,000	10,000,000	10,000,000
1987.....	4,000,000			

1/ Not considered.

FUBA-7

EMPLOYMENT AND TRAINING ADMINISTRATION

FEDERAL UNEMPLOYMENT BENEFITS AND ALLOWANCES

JUSTIFICATION

	1985 Comparable	1986 Appropriation	1986 Estimate	1987 Estimate	Increase or Decrease
Trade adjustment assistance.....	$70,000,000	$5,000,000	$23,000,000	---	-$23,000,000
Unemployment assistance and payments under other Federal unemployment programs.....	5,000,000	5,000,000	5,000,000	4,000,000	-1,000,000
Total Budget Authority.....	75,000,000	10,000,000	28,000,000	4,000,000	-24,000,000

General Statement

This request provides for benefits paid under the Redwood National Park amendments of 1978. The authorization for the weekly trade adjustment benefits program previously paid from this account expired December 19, 1985. Advances from the Advances to the Unemployment Trust Fund and Other Funds Account will be made as necessary to cover 1986 costs of these programs.

In 1987, the Employment and Training Administration will continue to assure that the necessary funds are available for prompt payment of benefits. The request provides for $4,000,000 in benefits to be paid under the Redwood National Park amendments of 1978. Should the amount requested be inadequate to meet actual compensation benefits, the appropriation may be advanced such sums as necessary from the Advances to the Unemployment Trust Fund and Other Funds Account.

FUBA-8

TRADE ADJUSTMENT ASSISTANCE

1985 Comparable	1986 Appropriation	1986 Estimate	1987 Estimate	Increase or Decrease
$70,000,000	$5,000,000	$23,000,000	---	-$23,000,000

Introduction

This activity provided for weekly adjustment benefit payments and allowances to workers partially or totally separated from firms which make products affected by imports. Adjustment payments were authorized under Part I, Subchapter B, chapter 2, Title II of the Trade Act of 1974, as amended. The authorization for this program expired December 19, 1985. Advances from the Advances to the Unemployment Trust Fund and Other Funds Account will be made as necessary to cover the cost of this program in 1986. In 1986, Federal administrative costs relating to benefit payments are included in the Program Administration budget of the Employment and Training Administration. State administrative costs are included in the State Unemployment Insurance and Employment Service Operations budget.

Federal funds were allocated to the States which act as agents for the Federal government. Such funds were provided to the States under the "Letter of Credit" system based on monthly estimates made by the States.

1987 Budget Request

No funds are requested since the Trade adjustment benefits program expired December 19, 1985.

1986

It is estimated that 164,000 weeks of compensation will be paid to 10,000 beneficiaries at an average weekly benefit amount of $140.00, totalling $23,000,000 for weeks of unemployment that occurred prior to December 19, 1985.

1985

Benefit payments, totalling $43,353,000 were paid to 21,000 workers adversely affected by imports during the year.

Changes for 1987

Activity Changes:

Built-in:

Reduction in Trade Adjustment Assistance benefit payments..... -$23,000,000

UNEMPLOYMENT ASSISTANCE AND PAYMENTS UNDER OTHER FEDERAL UNEMPLOYMENT PROGRAMS

1985 Comparable	1986 Appropriation	1986 Estimate	1987 Estimate	Increase or Decrease
$5,000,000	$5,000,000	$5,000,000	$4,000,000	-$1,000,000

Introduction

This activity provides for benefits paid under the Redwood National Park amendments of 1978. These include layoff, severance and vacation replacement benefits, and entitlement to health, welfare and pension benefits to individuals who are deemed to be deprived of employment as a result of this legislation.

Federal funds to pay benefits under the Redwood Employee Protection program are allocated to the State which acts as agent for the Federal government. These funds are provided to the State of California under the "Letter of Credit" system based on monthly estimates made by the State. Federal funds to pay for continued health and pension coverage under the Redwood program are paid directly to health and pension funds.

1987 Budget Request

Prompt benefit payments to individuals covered under the Redwood National Park amendments will continue. An estimated $4,000,000 will be paid for program costs on behalf of individuals covered under the Redwood amendments of 1978.

1986

An estimated $5,000,000 will be paid for program costs on behalf of individuals covered under the Redwood National Park amendments.

1985

Benefit payments totalling $5,220,000 were paid on behalf of individuals covered under the Redwood National Park amendments.

Changes for 1987

Activity Changes:

Built-in:

Reduction in estimated Redwood program costs..... -$1,000,000

EMPLOYMENT AND TRAINING ADMINISTRATION

STATE UNEMPLOYMENT INSURANCE AND
EMPLOYMENT SERVICE OPERATIONS

	Page No.
Appropriation language and explanation of language change	1
Analysis of appropriation language	3
Amounts available for obligation	4
Summary of changes	5
Budget Authority by activity	8
Budget Authority by object	9
Significant items in FY 1986 House and Senate Appropriations Committees Reports	10
Authorizing legislation	11
Appropriation history	12
Justification:	
Appropriation	13
General statement	14
Activities:	
Unemployment compensation	15
Employment service	22
State tables	25

EMPLOYMENT AND TRAINING ADMINISTRATION

STATE UNEMPLOYMENT INSURANCE AND
EMPLOYMENT SERVICE OPERATIONS

For activities authorized by the Act of June 6, 1933, as amended (29 U.S.C. 49-491-1; 39 U.S.C. 3202(a)(1)(E)); title III of the Social Security Act, as amended (42 U.S.C. 502-504); necessary administrative expenses for carrying out 5 U.S.C. 8501-8523, [and sections 231-235 and 243-244, title II of the Trade Act of 1974, as amended;] 1/ and as authorized by section 7c of the Act of June 6, 1933, as amended, necessary administrative expenses under sections 101(a)(15)(H)(ii) and 212(a)(14) of the Immigration and Nationality Act, as amended (8 U.S.C. 1101 et seq.), [and section 51 of the Internal Revenue Code of 1954, as amended (26 U.S.C. 51), notwithstanding section 261(f)(2)(A) of the Economic Recovery Tax Act of 1981, as amended,] 2/ [$23,600,000] *$23,400,000*, together with not to exceed [$2,456,240,000] *$2,485,933,000* which may be expended from the Employment Security Administration account in the Unemployment Trust Fund, [and of which not to exceed $250,000, of the amount which may be expended from said Trust Fund for Employment Service purposes, shall be used by the Secretary of Labor to conduct a study, to be submitted to Congress prior to June 1, 1986, designed to examine the status of automation in the labor exchange process throughout the Employment Service system, and to develop recommendations (including cost estimates) necessary to ensure the most efficient and effective job matching program within each State and among the States (known as the Interstate Job Bank System),] 3/ and of which $22,700,000 together with not to exceed [$769,500,000] *$732,500,000* of the amount which may be expended from said trust fund shall be available for obligation for the period July 1, [1986] *1987*, through June 30, [1987] *1988*, to fund activities under section 6 of the Act of June 6, 1933, as amended, including the cost of penalty mail made available to States in lieu of allotments for such purpose, and of which [$283,532,000] *$261,942,000 (including not to exceed $4,800,000 which may be used for amortization payments to States which had independent retirement plans in their State employment service agencies prior to 1980)* shall be available only to the extent necessary

to administer unemployment compensation laws to meet increased costs of administration resulting from changes in a State law or increases in the number of unemployment insurance claims filed and claims paid or increased salary costs resulting from changes in State salary compensation plans embracing employees of the State generally over those upon which the State's basic allocation was based, which cannot be provided for by normal budgetary adjustments.

(*Department of Labor Appropriation Act, 1986.*)

Explanation of Language Change

1/ No funding is requested under these provisions which expired December 19, 1985.

2/ No funding is requested for the Targeted Jobs Tax Credit program. The authorizing legislation for the program expired December 31, 1985.

3/ Funding for these purposes is not required in 1987.

ANALYSIS OF APPROPRIATION LANGUAGE

Language Provision	Explanation
"...as authorized by section 7c of the Act of June 6, 1933, as amended, necessary administrative expenses under sections 101(a)(15)(H)(ii) and 212(a)(14) of the Immigration and Nationality Act, as amended (8 U.S.C. 1101 et. seq.),..."	Section 7c allows trust fund financing of immigration activities.
"...[and of which not to exceed $250,000, of the amount which may be expended from said Trust Fund for Employment Service purposes, shall be used by the Secretary of Labor to conduct a study, to be submitted to Congress prior to June 1, 1986, designed to examine the status of automation in the labor exchange process throughout the Employment Service system, and to develop recommendations (including cost estimates) necessary to ensure the most efficient and effective job matching program within each State and among the States (known as the Interstate Job Bank System),]..."	This provision, included in the 1986 appropriation language, authorizes the use of up to $250,000 of ES National Activities Trust Fund monies for the conduct of a study of the status of automation in the labor exchange process. A workplan has been completed and initial work started to meet the June 1, 1986 report deadline. Since the study and report will be completed during 1986, the provision is proposed for deletion from the 1987 language.
"...shall be available for obligation for the period July 1, 1987, through June 30, 1988,..."	This provision makes funds for section 6 allotments to States available on a program year basis running from July 1 through June 30 of the following year as established under the authorizing legislation.
"...including the cost of penalty mail made available to the States in lieu of allotments for such purpose,..."	This provision makes funds from section 6 allotments to States available to the Department to pay the cost of penalty mail directly to the U.S. Postal Service.
"...and of which $261,942,000 (*including not to exceed $4,800,000 which may be used for amortization payments to States which had independent retirement plans in their State employment service agencies prior to 1980*) shall be available only to extent necessary to administer unemployment compensation laws to meet increased costs of administration resulting from changes in a State law or increases in the number of unemployment insurance claims filed and claims paid or increased salary costs resulting from changes in State salary compensation plans embracing employees of the State generally over those upon which the State's basic allocation was based, which cannot be provided for by normal budgetary adjustments."	This language establishes a Contingency Fund to provide resources to meet certain defined predicted costs relating to the administration of unemployment compensation law. Contingency funds may be used only after the application of savings which occur in the planned use of base administrative funds (normal budgetary adjustments) to offset the specific added costs of administering unemployment compensation laws. Additional language has been added to identify and limit to $4,800,000 the amount that may be used for five State retirement plan amortization payments.

SUIESO-4

AMOUNTS AVAILABLE FOR OBLIGATION

	1985	1986	1987
Appropriation	$23,500,000	$23,600,000	$23,400,000
Sequestered under P.L. 99-177	---	-1,015,000	---
A. Subtotal, appropriation	23,500,000	22,585,000	23,400,000
Offsetting collections from:			
Trust funds	2,407,065,000	2,456,240,000	2,485,933,000
Sequestered under P.L. 99-177	---	-105,618,000	---
Proposed supplemental	---	-3,911,000	---
Comparative transfer to:			
Department of Labor, Bureau of Labor Statistics, Salaries and Expenses	-13,661,000	---	---
Subtotal, trust funds	2,393,404,000	2,346,711,000	2,485,933,000
B. Total Available Budget Authority and Trust Funds	2,416,904,000	2,369,296,000	2,509,333,000
Unobligated trust fund, start of year	+555,299,000	+619,018,000	+586,000,000
Unobligated trust fund, end of year	-619,018,000	-586,000,000	-586,000,000
Unobligated general revenue funds, start of year	---	---	+17,379,000
Unobligated general revenue funds, end of year	---	-17,379,000	-18,160,000
General Revenue funds lapsing	-830,000	---	---
Change in the amount of trust funds used due to lower workloads	-53,778,000	---	---
Trust fund authority not used based on current economic assumptions	---	-18,853,000	---
C. Total, estimated obligations	2,298,577,000	2,366,082,000	2,508,552,000

SUMMARY OF CHANGES

	1986	1987	Net Change
Budget Authority:			
General Funds	$22,585,000	$23,400,000	+$815,000
Trust Funds	2,346,711,000	2,485,933,000	+139,222,000
Total	2,369,296,000	2,509,333,000	+140,037,000

	Trust Funds	General Funds	Total
Explanation of Change:			
Increases:			
A. Built In:			
To provide for a net increase in unemployment compensation salary and personnel benefit costs resulting from Statewide compensation plan changes	+97,134,000	---	+97,134,000
To provide for an increase in costs of non-personal services	+10,272,000	---	+10,272,000
To provide for inflationary increase for employment service allotments to States	+32,230,000	+956,000	+33,186,000
To provide for inflationary increase for employment service national activities	+961,000	+32,000	+993,000
To provide for increased unemployment insurance workload resulting from normal growth of the covered work force and the number of subject employers	+16,832,000	---	+16,832,000
Subtotal	+157,429,000	+988,000	+158,417,000
B. Program:			
To provide for an increase in funding for unemployment compensation State Operations to allow for more timely processing of workload and to improve the quality of services (1986 Base: Trust Funds $1,383,260,000)	+33,670,000	---	+33,670,000

SUIESO-6

	Trust Funds	General Funds	Total
To provide for an increase in funding for unemployment compensation State Integrity Activities to allow for the annualization of the expanded Quality Control sample size begun in 1986 which will be operational for the full year in 1987 (1986 Base: Trust Funds $260,921,000)....	+9,910,000	---	+9,910,000
To provide for an increase in contingency funds relating to State law changes and conversions to a wage record system (1986 Base: Trust Funds $16,269,000).....	+731,000	---	+731,000
To provide for an increase in contingency funds for Employment Service Retirement cost for States with independent retirement systems (1986 Base: Trust Funds $4,594,000).....	+206,000	---	+206,000
To provide for an increase in funding for unemployment compensation for State automated systems (1986 Base: Trust Funds $19,140,000).....	+860,000	---	+860,000
To provide for an increase in employment service national activities funding (1986 Base: Trust Funds $20,865,000; General Funds $700,000).....	+968,000	---	+968,000
Subtotal.....	+46,345,000	---	+46,345,000
C. Financing:			
To provide for Employment Service trust fund financing consistent with section 901 of the Social Security Act.....	---	+20,000	+20,000
Total Increase.....	+203,774,000	+1,008,000	+204,782,000

	Trust Funds	General Funds	Total
Decreases:			
A. Built In:			
To provide for a net decrease in unemployment compensation workload due to change in economic assumptions and expiracion of Trade program	-20,706,000	---	-20,706,000
To provide for a decrease in unemployment compensation funding resulting from savings generated by automation	-4,008,000	---	-4,008,000
To provide for expiration of the Targeted Jobs Tax Credit workloads	-6,739,000	-193,000	-6,932,000
Subtotal	-31,453,000	-193,000	-31,646,000
B. Program:			
To provide for a decrease in unemployment compensation national activities funding (1986 Base: Trust Funds $2,908,000)	-869,000	---	-869,000
To provide for a decrease in Employment Service funding resulting from increased productivity (1986 Base: Trust Funds $764,730,000; General Funds $22,680,000)	-32,210,000	---	-32,210,000
Subtotal	-33,079,000	---	-33,079,000
C. Financing:			
To provide for Employment Service trust fund financing consistent with section 901 of the Social Security Act	-20,000	---	-20,000
Total Decrease	-64,552,000	-193,000	-64,745,000
Total Change	+139,222,000	+815,000	+140,037,000

SUIESO-8

BUDGET AUTHORITY BY ACTIVITY

	1985 Comparable	1986 Appropriation	1986 1/ Estimate	1987 Estimate	Change
Budget Authority applied to General Funds:					
2. Employment service:					
a. Allotments to States	---	$22,700,000	$21,724,000	$22,700,000	+$976,000
b. National activities....	$23,500,000	900,000	861,000	700,000	-161,000
Subtotal.....	23,500,000	23,600,000	22,585,000	23,400,000	+815,000
Budget Authority applied to Trust Funds:					
1. Unemployment compensation:					
a. State operations.....	1,115,854,000	1,149,960,000	1,100,512,000	1,221,865,000	+121,353,000
b. State integrity activities.....	203,735,000	222,500,000	212,933,000	245,754,000	+32,821,000
c. National activities....	3,533,000	2,908,000	2,783,000	2,039,000	-744,000
d. Contingency	263,817,000	283,532,000	271,340,000	261,942,000	-9,398,000
Regular.....	(262,788,000)	(278,732,000)	(266,746,000)	(257,142,000)	(-9,604,000)
ES Retirement.....	(1,029,000)	(4,800,000)	(4,594,000)	(4,800,000)	(+206,000)
2. Employment service:					
a. Allotments to States...	777,398,000	769,500,000	732,500,000	732,500,000	---
b. National activities....	29,067,000	27,840,000	26,643,000	21,833,000	-4,810,000
Regular.....	(25,300,000)	---	---	---	---
ES Retirement.....	(3,767,000)	---	---	---	---
Subtotal.....	2,393,404,000	2,456,240,000	2,346,711,000	2,485,933,000	+139,222,000
Total Budget Authority by Activity:					
1. Unemployment compensation:					
a. State operations.....	1,115,854,000	1,149,960,000	1,100,512,000	1,221,865,000	+121,353,000
b. State integrity activities.....	203,735,000	222,500,000	212,933,000	245,754,000	+32,821,000
c. National activities....	3,533,000	2,908,000	2,783,000	2,039,000	-744,000
d. Contingency	263,817,000	283,532,000	271,340,000	261,942,000	-9,398,000
Regular.....	(262,788,000)	(278,732,000)	(266,746,000)	(257,142,000)	(-9,604,000)
ES Retirement.....	(1,029,000)	(4,800,000)	(4,594,000)	(4,800,000)	(+206,000)
2. Employment service:					
a. Allotments to States...	777,398,000	792,200,000	754,224,000	755,200,000	+976,000
b. National activities....	32,567,000	28,740,000	27,504,000	22,533,000	-4,971,000
Regular.....	(48,800,000)	---	---	---	---
ES Retirement.....	(3,767,000)	---	---	---	---
Total Budget Authority.....	2,416,904,000	2,479,840,000	2,369,296,000	2,509,333,000	+140,037,000

1/ Included in 1986 Estimate:

Sequestered under P.L. 99-177.....	-$106,633,000
Proposed program supplemental.....	-93,911,000

BUDGET AUTHORITY BY OBJECT

	1985 Comparable	1986 Estimate	1987 Estimate
Communications, utilities, and other rent.....	$77,759,000	$78,522,000	$80,671,000
Grants, subsidies, and contributions.....	2,339,145,000	2,290,774,000	2,428,662,000
Total, budget authority by object.....	2,416,904,000	2,369,296,000	2,509,333,000

SUIESO-10

SIGNIFICANT ITEMS IN 1986
HOUSE AND SENATE APPROPRIATIONS COMMITTEES REPORTS

Items	Action Taken or to Be Taken
1986 House Report (No. 99-289)	
No specific actions recommended.	
1986 Senate Report (No. 99-151)	
State Financial Management Assistance	
"State employment security agencies are operating a 15-year-old outdated cost accounting system that the Employment and Training Administration will no longer support after December 31, 1985. The Secretary of Labor is requested to provide support and adequate transitional assistance to the States for upgrading State cost accounting and financial management information systems."	The Employment and Training Administration has continued technical support of the existing cost accounting system. Additionally, technical assistance is being provided to States which are jointly acquiring and designing a new accounting system.
1986 Conference Report (No. 99-402)	
Wagner-Peyser 3% Allocation	
"The conferees note that under provisions of section 6(b)(4) of the Wagner-Peyser Act the Secretary is authorized to withhold 3% of funds available to the States to off-set losses in basic funding resulting from 1983 changes in the allocation formula. Conferees further note that the Secretary is provided with broad flexibility under the statute to determine the allocation of these 3% set-aside funds among the various affected States. The conferees urge the Secretary to undertake a review of these allocation factors prior to publishing State-by-State allocations for the 1986 program year and in so doing to insure that States which have been disadvantaged by falling into the 90% hold harmless category in program years 1984 and 1985 are provided with sufficient funds to forestall closing or further consolidating needed employment service offices within their borders."	A workgroup of selected States and public interest groups met with Department officials in December 1985 to propose funding methodologies relating to the 3% set-aside for Program Year 1986. A Federal Register notice was published on January 17, 1986 soliciting public comment on the methodologies.

AUTHORIZING LEGISLATION

	Budget Request 1986	1987
Legislation		
Authorizing legislation containing indefinite authority		
Title III of the Social Security Act, as amended (42 U.S.C. 502-504)	$1,575,151,000	$1,719,566,000
5 U.S.C. 8501-8523, as amended (State administrative expenses for Federal programs)	11,350,000	12,034,000
Sections 231-235 and 243-244, Title II, of the Trade Act of 1974, as amended (19 U.S.C. 2101)	1,067,000	---[1/]
The Wagner-Peyser Act of 1933, as amended (29 U.S.C. 49-491-1)		
Section 6	754,224,000	755,200,000
39 U.S.C. 3202(a)(1)(E) (Penalty Mail)	(14,000,000)	(14,000,000)
Section 7	27,504,000	22,533,000
Sections 101(a)(15)(H)(ii) and 212(a)(14) of the Immigration and Nationality Act, as amended (8 U.S.C. 1101 et.seq.)	(13,551,000)	(14,797,000)
Internal Revenue Code of 1954, as amended (26 U.S.C. 51)	(6,932,000)	(---[2/])

1/ The authority for Trade for weekly adjustment benefit payments and allowances expired December 19, 1985. Therefore State administration related to processing the benefit payments will not be required in 1987.

2/ The Targeted Jobs Tax Credit provision of the Internal Revenue Code expired December 31, 1985.

SUIESO-12

APPROPRIATION HISTORY

	Budget Estimates to Congress	House Allowance	Senate Allowance	Appropriation
1977.....	$1,435,800,000	$1,501,800,000	$1,501,800,000	$1,501,800,000
1978.....	1,566,100,000	1,582,600,000	1,602,600,000	1,582,600,000
1979.....	1,705,200,000	1,715,200,000	1,715,200,000	1,715,200,000
1980.....	1,944,210,000	1,944,210,000	1,943,500,000	1,943,500,000
1981.....	2,156,800,000	2,156,800,00	---	2,027,910,000
1982.....	2,276,146,000	2,632,690,000	2,539,690,000	2,276,146,000
1983.....	2,621,500,000	2,677,200,000	2,752,600,000	2,752,600,000
1984.....	2,747,200,000	3,310,600,000	3,340,300,000	3,340,300,000
1985.....	2,446,098,000	2,414,298,000	2,449,865,000	2,430,565,000
1986 1/.....	2,428,040,000	2,483,540,000	2,469,840,000	2,479,840,000
Sequestered under P.L. 99-177.....				-106,633,000
Proposed FY 1986 Supplemental....	-3,911,000			
1987.....	2,509,333,000			

1/ Does not include reductions pursuant to P.L. 99-177.

EMPLOYMENT AND TRAINING ADMINISTRATION

STATE UNEMPLOYMENT INSURANCE AND
EMPLOYMENT SERVICE OPERATIONS

JUSTIFICATION

	1985 Comparable	1986 Appropriation	1986 1/ Estimate	1987 Estimate	Increase or Decrease
Unemployment compensation:					
a. State operations.....	$1,115,854,000	$1,149,960,000	$1,100,512,000	$1,221,865,000	+$121,353,000
b. State integrity activities.....	203,735,000	222,500,000	212,933,000	245,754,000	+32,821,000
c. National activities..	3,533,000	2,908,000	2,783,000	2,039,000	-744,000
d. Contingency.....	263,817,000	283,532,000	271,340,000	261,942,000	-9,398,000
Regular.....	(262,788,000)	(278,732,000)	(266,746,000)	(257,142,000)	(-9,604,000)
ES Retirement.....	(1,029,000)	(4,800,000)	(4,594,000)	(4,800,000)	(+206,000)
Employment service:					
a. Allotments to States.	777,398,000	792,200,000	754,224,000	755,200,000	+976,000
b. National activities..	52,567,000	28,740,000	27,504,000	22,533,000	-4,971,000
Regular.....	(48,800,000)	---	---	---	---
ES Retirement.....	(3,767,000)	---	---	---	---
Total Budget Authority.....	2,416,904,000	2,479,840,000	2,369,296,000	2,509,333,000	+140,037,000

1/ Included in 1986 Estimate:

Sequestered under P.L. 99-177.....	-$106,633,000
Proposed program supplemental.....	-$3,911,000

SUIESO-14

General Statement

The State Unemployment Insurance and Employment Service Operations appropriation provides administrative grants to State agencies which administer Federal and State unemployment compensation laws and operate the public employment service; a national system providing no-fee employment services to individuals who are seeking employment and employers who are seeking workers. The appropriation also provides for national activities relating to the Federal-State unemployment insurance programs which are conducted through contracts or agreements with the State agencies.

Reductions of $106,633,000 were made in 1986 as a result of P.L. 99-177. The processing of workload will be accomplished with the reduced resources. The effect of the reduction will be seen in delays in processing workloads, in acquisition of ADP equipment and other purchases and the reduction of staff in some States.

The 1987 request for unemployment compensation reflects the continuing efforts of the State agencies to improve the integrity of the unemployment compensation system by increased control of overpayments, fraud and abuse, and through implementation of a Quality Control System. The request includes an increase over the adjusted 1986 level to allow for more timely processing of workload and to improve the quality of services.

Funds related to integrity activities are displayed in a separate sub-activity and reflect built-in increases and a program increase over 1986. This increase will provide full year financing for the expanded Quality Control sample size begun in 1986 and will result in an increase in the number of cases sampled in the program which will draw cases for the full year. The request also includes an increase over the adjusted 1986 level to provide a total of $20,000,000 for upgrading State automated systems for benefit payments and collection of taxes.

Included in the unemployment compensation contingency request is $4,800,000, an increase of $206,000 over the adjusted 1986 level, to provide separate financing for amortization payments to five States that had independent retirement plans in their State Employment Service agencies prior to 1980. This is the amount determined to be needed annually to amortize the Employment Service portion of the unfunded liability of these plans over a thirty year period.

The request for Employment Service provides funding for the operation of the decentralized Wagner-Peyser system including allotments to States for basic labor exchange operations and separate financing of national employment service responsibilities. Funds for basic State operations are distributed to States under a demographically based funding formula established under the Wagner-Peyser Act, as amended, and are provided on a program year basis running from July 1 through June 30 of the following year. Employment service activities serving national needs are financed on a fiscal year basis.

The request for basic State operations reflect built-in increases offset by productivity savings resulting from efficiences and other management improvements that will alleviate any adverse program effects.

Funds for financing national employment service responsibilities reflect built-in increases and an increase over the 1986 adjusted level to accomodate program requirements in 1987.

UNEMPLOYMENT COMPENSATION

	1985 Comparable	1986 Appropriation	1986 1/ Estimate	1987 Estimate	Increase or Decrease
a. State operations.....	$1,115,854,000	$1,149,960,000	$1,100,512,000	$1,221,865,000	+$121,353,000
b. State integrity activities.....	203,735,000	222,500,000	212,933,000	245,754,000	+32,821,000
c. National activities....	3,533,000	2,908,000	2,783,000	2,039,000	-744,000
d. Contingency.....	263,817,000	283,532,000	271,340,000	261,942,000	-9,398,000
Regular.....	(262,788,000)	(278,732,000)	(266,746,000)	(257,142,000)	(-9,604,000)
ES Retirement.....	(1,029,000)	(4,800,000)	(4,594,000)	(4,800,000)	(+206,000)
Total Budget Authority.....	1,586,939,000	1,658,900,000	1,587,568,000	1,731,600,000	+144,032,000

1/ Included in 1986 Estimate above:

Sequestered under P.L. 99-177..... -$71,332,000

Introduction

This activity provides for the administration of the State unemployment compensation programs which have been enacted pursuant to the Federal Unemployment Tax Act (Chapter 23, Internal Revenue Code) and Title III of the Social Security Act. The unemployment compensation program operates through a Federal-State cooperative relationship in which the Federal responsibilities include determining administrative fund requirements and distribution to each State, establishing performance measures, monitoring of State performance, ensuring conformity and compliance of State laws and operations with Federal law, and setting broad overall policy for administration of the program. States are responsible for establishing specific, detailed policy, and operating methods which conform with Federal laws and regulations, and administering the direct operation of the program in accordance with these requirements.

The major functions performed by the States are the collection of State taxes from employers, the determination of benefit entitlements, and the payment of benefits. The States also administer Federally-enacted programs for payments of unemployment compensation to former Federal personnel (military and civilian), claimants who have exhausted their eligibility under the regular State UI program and qualify for extended benefits and to workers unemployed by the expansion of the Redwood National Park. States also pay compensation to individuals whose unemployment is caused by natural disasters such as hurricanes, floods, and tornados, from funds reimbursed by the Federal Emergency Management Agency.

Administrative funds are requested by the States via Program Budget Plans which must be approved by the Secretary of Labor, and contain unemployment workloads based on economic assumptions and estimated resource needs for carrying out all of the necessary activities at an acceptable level of quality. Plan approvals are based on the cost of proper and efficient administration and such other factors as the Secretary of Labor deems appropriate.

The request for unemployment compensation consists of four sub-activities: State operations, State integrity activities, national activities and contingency.

State Operations

This sub-activity provides administrative grants to State agencies which pay unemployment compensation to eligible workers and collect State unemployment taxes from employers. States are also responsible for establishing specific, detailed policy which conforms with Federal laws and regulations. Grants are also provided to up-grade State automated systems for benefit payments and for the collection of taxes.

SUIESO-16

State Integrity Activities

This sub-activity supports efforts to improve the program integrity and financial stability of the Unemployment Insurance (UI) Program through the establishment of a Quality Control (QC) system and continuation of related activities designed to assess and reduce errors in the payment of benefits and collection of revenues. In addition to QC, it incorporates ongoing efforts in Benefit Payment Control (BPC), the Eligibility Review Program (ERP), Internal Security and Tax Field Audits. This sub-activity provides a comprehensive approach to the prevention, detection, and collection of overpayments; the enhancement and improvement of tax collections; and the prevention of fraud, waste, and abuse.

National Activities

This sub-activity identifies funds to be utilized for national purposes or for activities that benefit the Federal-State system as a whole, that are interstate or multi-state in nature, or that are more efficiently and effectively performed on a consolidated rather than a fragmented basis. Typically, the performance of these activities will benefit more than just the State performing the work and, therefore is not appropriately attributable to the administrative costs of an individual State.

Contingency

The Contingency Fund assures that funds will be available to meet increases in the costs of administering unemployment compensation laws resulting from changes in State law, increases in the number of unemployment compensation claims, or increased costs resulting from changes in State personnel compensation plans over those upon which the State's basic allocation was based. Contingency funds are made available to a State only when the eligible additional costs of administration cannot be provided for through normal budgetary adjustments. The amortization payments of the five States that have independent plans in their State employment service agencies from prior to 1980 are also funded from this sub-activity.

1987 Budget Request

The request for State operations is for $1,221,865,000 and includes an increase of $33,670,000 to allow for more timely processing of workloads and improve the quality of services. The State agencies are expected to collect $17,020,000,000 in State taxes and pay $15,156,600,000 in benefits to an average of 2.2 million beneficiaries per week under Federal and State regular and extended compensation programs. This includes individuals covered by State Unemployment Compensation (UC) laws, former Federal military and civilian personnel, Federal-State extended benefits recipients and those unemployed by expansion of the Redwood National Park.

Total unemployment is expected to average 6.6 percent during the fiscal year with insured unemployment at 2.6 percent. States' basic allocations will finance administrative costs associated with workloads averaging 2.0 million claims per week nationally. Administrative costs associated with workloads above the 2.0 million base level will be financed from contingency funds.

The request for State integrity activities is $245,754,000. The request includes an increase of $9,910,000 to provide full year financing for the Quality Control (QC) program. This continues the expanded sample size level begun in 1986 and will result in an increase in the number of cases sampled under the QC program in 1987 as cases sampled are drawn for the full year. With the QC program operational in all States, a strong emphasis will be placed on State analysis of QC data and development of revised operating procedures and other appropriate and cost effective measures designed to reduce UI benefit payment and tax collection errors. States will also initiate in-depth studies of selected issues requiring more intensive analysis as early quality control findings identify areas requiring such review.

In addition to the operation of a basic QC program in all States, the pilot testing of quality control methodologies for revenue and benefit denials will also be completed. The results of the pilot tests will be integrated into the basic QC program on a phased basis.

Greater emphasis will also be placed on increased State utilization of existing overpayment detection and collection systems and development and maintenance of comprehensive State computer security programs.

Because State UI operations are highly amenable to automation, UI administrative operations will continue to increase automation to improve program efficiency and reduce the cost of processing UI claims and collecting employer taxes. The request for State operations includes $20,000,000, an increase of $860,000 over 1986, for State automation grants in 1987. These automation resources will continue to be used to support State requests to convert from wage request to wage record reporting as well as other automation efforts designed to produce the greatest efficiency improvement in State operations.

In 1987, all States will participate in the automated transfer of wage data via the automated interstate data exchange system-Internet. Additional Internet applications will also be tested.

UC PROGRAM STATISTICS

	1985 Actual	1986 1/ Estimate	1987 1/ Estimate
Staffyears	44,723	42,180	43,708
Basic Workload (in thousands):			
Employer tax accounts	5,095	5,205	5,319
Employee wage items recorded	334,306	342,230	349,770
Initial claims taken	20,678	20,954	21,005
Eligibility interviews	6,467	8,606	8,483
Weeks claimed	147,193	134,575	132,752
Nonmonetary determinations	7,294	7,127	7,201
Appeals	957	943	954
Covered employment	93,010	95,215	97,323

1/ 1986 and 1987 estimates include workload that can be financed from contingency funds.

The request for national activities is $2,039,000, an increase of $968,000 over 1986. This amount includes funds to cover the administrative cost of the claims control system and the interstate benefit system.

For 1987, it is estimated that $261,942,000 will be needed to finance increased costs of administration resulting from changes in a State law, increases in State salary and personnel benefits and increases in the number of unemployment compensation claims filed and claims paid over those provided in the State's basic grant. The amount requested contains sufficient funds to finance unemployment compensation workloads projected under the economic assumptions contained in this budget. The request also includes $10,000,000 to cover the cost of anticipated State law changes related to the conversion of some wage request States to wage record systems. In addition, the contingency request includes $4,800,000, an increase of $206,000 over 1986, to provide separate financing for amortization payments to five States that had independent retirement plans in their State employment service agencies prior to 1980. This is the amount determined to be needed annually to amortize the ES portion of the unfunded liability of these plans over a thirty-year period. This amount is not required to finance current

50-854 2896

payments to retirees. The bulk of the contingency request finances State UI staff essential to assure that current UI payments are made on schedule. Contingency amounts will therefore first be used to assure that UI payments are made and ES retirement plan amortization payments will be made at the end of the fiscal year. Should it appear that fourth quarter contingency amounts will be insufficient to finance up to $4,800,000 of amortization costs, the Department will inform the Congress.

1986

The total available for State operations is $1,100,512,000, including $19,140,000 for State automation grant proposals. The State agencies are expected to collect $18,429,000,000 in State taxes and pay $14,863,000,000 to an average of 2.3 million beneficiaries per week under Federal and State regular and extended compensation programs. This includes individuals covered by the provisions of State unemployment compensation laws, former Federal personnel, recipients of Federal-State extended benefits, workers adversely affected by foreign trade agreements, and those unemployed by the expansion of the Redwood National Park. Title II of the Trade Act of 1974, as amended, expired December 19, 1985.

Total unemployment is expected to average 6.8 percent during the year with insured unemployment at 2.7 percent. The allocation of resources was based upon forecasted workload estimates, State salaries, and cost model productivity factors developed by State work measurement studies. States' basic allocations will finance administrative costs associated with workloads averaging 2.0 million claims per week nationwide. Administrative costs associated with workloads above this base level will be financed from the contingency fund.

The total available for State integrity activities in 1986 is $212,933,000. The revised Quality Control (QC) Program design, which will provide States with a more flexible and useable basic QC program, will be implemented in all States. Funding will be provided to States to increase the size of their QC sample and perform analysis of error data generated by QC. In addition, the second year of the model prosecution system continues to be tested in two States to determine cost effective ways to increase the restitution of fraudulent overpayments.

Automation grant funds were provided to States to increase their operational efficiency and reduce the cost of processing UI claims and collecting employer taxes. The $19,140,000 available for State automation grants funded 32 proposals from 25 States in 1986.

All States participated in the interstate claims and interstate messages components of the automated interstate data exchange system-Internet. Implementation and testing of automated wage transfers in 7 States was also completed and transmitted to all other States for installation.

For 1986 $2,783,000 is available for national activities. This amount includes funds to cover the administrative costs of the claims control system, tax support, and the interstate communications.

Based on current economic assumptions, it is estimated that, of the $271,340,000 of contingency funds available, $252,487,000 will be needed in 1986 to finance increased cost of administration resulting from changes in State law, increases in State salary and personnel benefits and increases in the number of unemployment compensation claims filed and claims paid over those provided in the States' basic grants. It is anticipated that $9,570,000 will be used for wage record conversion law changes. Included in the amount for contingency is $4,594,000 for the five States with independent retirement systems. As described above, the 1986 retirement plan amortization payments up to this total will be made at the end of the fiscal year. Should it appear that fourth quarter contingency amounts will be insufficient, the Department will inform the Congress.

Reductions of $71,332,000 have been applied to the above activities as a result of P.L. 99-177. The processing of workload will be accomplished with reduced resources; however, these reductions will introduce delays in processing workloads, staffing, and acquisition of ADP equipment and other purchases.

1985

The State agencies collected $19,968,720,000 in State taxes and paid $15,947,881,000 in benefits to an average of 2.5 million beneficiaries per week under Federal and State regular and extended unemployment compensation programs. This included individuals covered by the provisions of State unemployment compensation laws, former Federal personnel, workers adversely affected by foreign trade agreements, those unemployed by the expansion of the Redwood National Park, Federal-State extended benefits recipients and exhaustees of State and Federal-State extended unemployment compensation (FSC claimants).

Total unemployment averaged 7.1 percent during the year with insured unemployment at 2.9 percent. Allocation of resources was based on workload estimates, States salaries, and cost model productivity factors developed by State work measurement studies. The State basic allocations financed costs associated with workloads averaging 2.1 million claims per week nationwide. Administrative costs associated with workloads above the base level were paid from the contingency fund.

Detailed plans and preparations for implementation of a UI Quality Control (QC) program were developed, additional State staff were hired and trained, and a data processing network was developed and installed in all States. Planned implementation in July was delayed to afford States and interested parties an opportunity to review the basic design and framework of the program. QC design modifications resulting from this review were incorporated into the program in preparation for mid-1986 implementation.

Existing benefit payment control activities continued to be emphasized as a priority operational component. States relied on the eligibility review process to prevent overpayments through periodic interviews to reassess claimants' continuing eligiblity. Procedures were also pilot tested to determine if payment errors could be detected and corrected without delaying issuance of a claimant's first check. In addition, a new prosecution model was tested to determine whether increased restitution of fraudulent overpayments could be achieved by concentrating prosecutor resources on such cases.

Automation of the UI operations was continued in order to improve the administration of the program and reduce the cost of processing UI claims and collecting employer taxes. The $20,000,000 used for State automation grants funded 33 proposals from 28 States in 1985.

During 1985, Internet telecommunication of interstate initial claims and interstate messages was accomplished in 31 States. Participation in the Interstate quarterly wage and benefit crossmatch and claimant locator was increased to 46 States. All States telecommunicated weekly and monthly statistical data.

The amount of $17,194,000 was available for national activities. This amount included funds to cover the administrative costs of the claims control system, tax support, and interstate communications, as well as the purchase of equipment, software and supplies for the Quality Control program.

Contingency funds in the amount of $263,817,000 were used to offset the increased costs resulting from State salary and benefit increases, State law changes, and increases in the number of unemployment compensation claims paid over those provided in the States' basic grants.

SUIESO-20

Changes for 1987

Activity Changes:

Built-in:	
Legislated statewide salary and benefits	$97,134,000
Nonpersonal services	10,272,000
Workload increase because of increase in subject employers and wage record items	16,832,000
Workload decrease	-20,706,000
Automation savings	-4,008,000
Subtotal	99,524,000
Net Program	$44,508,000

Improvement in Quality of Services

Proposal: To provide for an increase in funding for unemployment compensation in State operations to allow for a more timely processing of workload and to improve the quality of services.

Rationale: Increased funding will allow States to process workloads more accurately and provide better services to the public.

Program Effects: The increased level of funding will provide for a more accurate and effective unemployment compensation program.

Base: Estimate: $1,383,260,000

Program Increase: Estimate: +$33,670,000

Quality Control Program

Proposal: To provide for an increase in unemployment compensation State Integrity activities to allow for the annualization of the Quality Control program which will be operational for the full year in 1987.

Rationale: In 1986 the Quality Control program was delayed in its implementation and operated in full for only a portion of the year. Funding provided permitted States to increase the size of their QC sample and perform analysis of error data generated by QC. The 1987 increase funds the annualization of the expanded 1986 program level in 1987.

Program Effects: The effect of this program increase will be an increase in the number of cases sampled in the Quality Control program which will draw cases for the full year.

Base: $260,921,000

Program Increase: +$9,910,000

Law Change and Wage Records

Proposal: To provide for an increase in contingency funds for the increased cost administering unemployment compensation laws resulting from State law changes and conversions to wage record systems.

Rationale: A total of $17,000,000 is estimated to be required in 1987 for administrative costs resulting from law changes and wage record conversions.

Program Effects: This increase will allocate appropriate funding to implement State UI law changes and for wage record conversion which will allow States to provide improved services to claimants.

Base: Estimate: $16,269,000

Program Increase: Estimate: +$731,000

Employment Service Retirement

Proposal: To provide for an increase in contingency funds for Employment Service Retirement costs for States with independent retirement systems.

Rationale: These funds will allow for the full funding of the annual amortization costs for the Employment Service share of the independent retirement plans.

Program Effects: This increase will allow States with independent retirement plans to utilize more of their Employment Service resources for program operations.

Base: Estimate: $4,594,000

Program Increase: Estimate: +$206,000

UI Automation

Proposal: To provide for an increase in funds available for upgrading State automated systems for unemployment compensation activities.

Rationale: Increased resources for automation will improve program efficiency and reduce the cost of processing unemployment insurance claims and collecting employer taxes.

Program Effects: The effect of this increase will be to allow more States to automate and streamline their operation to be more accurate, timely and efficient.

Base: Estimate: $19,140,000

Program Increase: Estimate: +$860,000

UI National Activities

Proposal: To provide for a decrease in unemployment compensation National Activities funding.

Rationale: Funding for the Louisiana Design Center is no longer required. The Design Center's major activity has been to export the model benefit and tax systems to State agencies. This activity has been concluded.

Program Effects: This reduction will not affect program operations.

Base: Estimate: +$2,908,000

Program Decrease: Estimate: -$869,000

GUIESO-22

EMPLOYMENT SERVICE

	1985 Comparable	1986 Appropriation	1986 1/ Estimate	1987 Estimate	Increase or Decrease
a. Allocments to States.....	$777,398,000	$792,200,000	$754,224,000	$755,200,000	+$976,000
b. National activities.....	52,567,000	28,740,000	27,504,000	22,533,000	-4,971,000
Regular.....	(48,800,000)	---	---	---	---
ES Retirement.....	(3,767,000)	---	---	---	---
Total Budget Authority.....	829,965,000	820,940,000	781,728,000	777,733,000	-3,995,000

1/ Included in 1986 Estimate:

Sequestered under P.L. 99-177..... -$35,301,000

Proposed program supplemental..... -$3,911,000

Introduction

The public employment service is a nationwide system providing employment services to individuals seeking employment and to employers seeking workers. The 1982 amendments to the Wagner-Peyser Act significantly expanded the role of the States in the planning and administration of the employment service systems and changed the funding methodology for employment service activities. The basic labor exchange system of the employment service provides job finding and placement services to job seekers and recruitment and referral services to employers with job vacancies. The system also facilitates the match of job seekers and employers within and among the States and performs basic work test activities for the unemployment compensation systems. These basic labor exchange activities are financed through the basic allotments to States and funds are distributed under a demographically based formula established under the Wagner-Peyser Act, as amended, using civilian labor force and unemployment criteria. The formula also includes provision that no State allotment will be less than 90 percent of the previous year's relative share. Ninety percent of the funds allocated by the formula are planned for use by the States in response to State identified priorities for persons to be served, the type and level of services offered, and the intra-state allocation of the resources. Ten percent of the formula allocated funds are to be reserved by the governors for performance incentives, services to special target groups, or funding of any extra-ordinary costs of model projects. The program is funded on a program year basis running from July 1 through June 30 of the following year.

The public employment service is also the principal vehicle for the delivery of employment services other than those offered as part of the basic labor exchange system. These activities are financed on a fiscal year basis through separate reimbursable agreements with the States. Selected activities administered as special national responsibilities include maintaining a national system for the clearance of labor between the States, conducting research activities related to the development and use of uniform occupational tests for job selection, labor certification of foreign workers, and housing inspections for employers recruiting agricultural workers from places outside the commuting area. In 1985 and 1986 the national activities also included funding for the Employment Services activities in the Targeted Jobs Tax Credit program which expired December 31, 1985.

1987 Budget Request

The $755,200,000 requested for Program Year 1987 includes an inflationary increase of $33,186,000 offset by a productivity savings of $32,210,000 over the $754,224,000 allocated for Program Year 1986.

Included in the allotments to States amount is $14,000,000 to pay estimated costs of penalty mail directly to the U.S. Postal Service.

Current economic assumptions for 1987 reflect an average unemployment rate of 6.6 percent down from the 6.8 percent average forecast for 1986. Although program activities will be determined by each State, service levels in the budget request compared with prior and current budget years are estimated as follows:

Program Statistics

	PY 1985	PY 1986	PY 1987
Job Seekers	14,200,000	14,200,000	13,900,000
Job Placements	5,200,000	5,200,000	5,300,000
Individuals Placed	3,500,000	3,500,000	3,500,000

The request for national activities is $22,533,000 and reflects adjustments for expected cost increases of $993,000 and a program increase of $968,000. These funds support the occupational test development program, the national job bank system, alien labor certification activities, and occupational analysis activities. The program increase is to accomodate an increase in demand for temporary foreign agricultural workers in a number of States; to meet employment demands for more timely listings of job openings and to prepare for issuance of a Dictionary of Occupational Titles supplement. The request includes no funds for the Targeted Jobs Tax Credit program which expired on December 31, 1985.

1986

The total resources for allotments to States for Program Year 1986 are $754,224,000 and this amount reflects the following adjustments:

1986 Appropriation	$792,200,000
Sequestered under P.L. 99-177	-34,065,000
Proposed program supplemental	-3,911,000
1986 Appropriation revised	754,224,000

The overall effects of these reductions are expected to be seen in State staff reductions and non-personal services, but workloads are not expected to be affected.

The amount available for national activities is $27,504,000. This amount reflects the following adjustment:

1986 Appropriation	$28,740,000
Sequestered under P.L. 99-177	-1,236,000
1986 Appropriation revised	27,504,000

Workload for national activities is expected to remain unchanged because of this adjustment but delays may be expected in meeting targets.

1985

The total resources for allotments to States for Program Year 1985 was $777,398,000 and included $14,000,000 for penalty postage to be paid to the U.S. Postal Service. Obligations for allotments to States for Fiscal Year 1985 totalled $713,678,000 and included $555,298,000 for Program Year 1984 (October 1, 1984 - June 30, 1985) and $158,380,000 for Program Year 1985 (July 1, 1985 - Sept 30, 1985).

SUIESO-24

The amounts obligated for national activities for 1985 totaled $53,653,000 as follows:

Targeted Jobs Tax Credit	$27,504,000
Labor Certification and Housing Inspections	13,867,000
ES Retirement Amortization Plan Payments	4,796,000
Test Development	4,203,000
National Job Bank System	1,483,000
Occupational Analysis	1,800,000

The ES retirement amortization will be funded from the unemployment compensation contingency activity starting in 1986.

Changes for 1987

Activity Changes:

Built In:	
Inflationary increase for allotments to states	$33,186,000
Inflationary increase for national activities	993,000
Decrease related to the expiration of the Targeted Jobs Tax Credit program on December 31, 1985	-6,932,000
Subtotal	27,247,000
Net Program	-$31,242,000

National Activities

Proposal: To increase funds for national activities.

Rationale: To accomodate program requirements.

Program Effects: The increase is needed to cover an increase in demand for temporary foreign agricultural workers; to meet employers demands for more timely listings of job openings and to prepare for issuance of a Dictionary of Occupational Titles supplement.

Base: Estimate: $21,565,000

Program Increase: Estimate: +968,000

Productivity Savings

Proposal: To provide for a decrease in Employment Service Allotments to States.

Rationale: Improved productivity and savings generated through managment actions allow a decrease in the amount made available for Allotments to States.

Program Effects: Cost savings, efficiencies and other management improvements will alleviate any adverse program effects.

Base: Estimate: $787,410,000

Program Decrease: Estimate: -32,210,000

SUIESO-25

EMPLOYMENT SERVICE
ALLOTMENTS TO STATES

STATE TABLES

State	PY 1985 (7/85-6/86)	PY 1986 1/ (7/86-6/87)	PY 1987 1/ (7/87-6/88)
Alabama	$12,367,000	$11,635,000	$11,635,000
Alaska	8,298,000	8,047,000	8,057,000
Arizona	8,044,000	7,816,000	7,861,000
Arkansas	8,206,000	7,775,000	7,645,000
California	75,240,000	73,138,000	73,543,000
Colorado	9,320,000	9,192,000	9,244,000
Connecticut	9,122,000	8,726,000	8,778,000
Delaware	2,132,000	2,068,000	2,070,000
District of Columbia	6,106,000	5,785,000	5,688,000
Florida	28,753,000	28,681,000	28,843,000
Georgia	15,348,000	15,637,000	15,725,000
Hawaii	3,267,000	3,095,000	3,044,000
Idaho	6,914,000	6,704,000	6,713,000
Illinois	35,679,000	35,047,000	35,235,000
Indiana	16,374,000	16,340,000	16,428,000
Iowa	10,425,000	9,879,000	9,714,000
Kansas	6,528,000	6,330,000	6,367,000
Kentucky	11,021,000	10,491,000	10,547,000
Louisiana	12,795,000	13,133,000	13,201,000
Maine	4,112,000	3,987,000	3,992,000
Maryland	12,117,000	11,640,000	11,708,000
Massachusetts	15,968,000	15,018,000	15,100,000
Michigan	30,102,000	28,640,000	28,790,000
Minnesota	12,576,000	12,030,000	12,098,000
Mississippi	9,051,000	8,576,000	8,432,000
Missouri	13,980,000	13,689,000	13,766,000
Montana	5,650,000	5,479,000	5,486,000
Nebraska	6,790,000	6,584,000	6,593,000
Nevada	5,493,000	5,326,000	5,333,000
New Hampshire	2,651,000	2,654,000	2,669,000
New Jersey	21,441,000	20,413,000	20,531,000
New Mexico	6,340,000	6,148,000	6,156,000
New York	62,913,000	59,609,000	58,613,000
North Carolina	17,453,000	16,588,000	16,683,000
North Dakota	5,754,000	5,579,000	5,586,000
Ohio	32,880,000	31,691,000	31,861,000
Oklahoma	14,385,000	13,629,000	13,402,000
Oregon	10,069,000	9,540,000	9,367,000
Pennsylvania	34,899,000	33,155,000	33,335,000
Puerto Rico	8,971,000	9,154,000	9,196,000
Rhode Island	3,028,000	2,869,000	2,812,000
South Carolina	8,645,000	8,635,000	8,683,000
South Dakota	5,318,000	5,156,000	5,103,000
Tennessee	13,823,000	13,574,000	13,648,000
Texas	44,126,000	44,427,000	44,676,000

SUIESO-26

State	PY 1985 (7/85-6/86)	PY 1985 1/ (7/86-6/87)	PY 1986 1/ (7/87-6/88)
Utah	11,630,000	11,277,000	11,292,000
Vermont	2,491,000	2,415,000	2,419,000
Virginia	15,076,000	15,112,000	15,200,000
Washington	13,251,000	12,851,000	12,920,000
West Virginia	6,087,000	5,902,000	5,910,000
Wisconsin	14,401,000	13,554,000	13,629,000
Wyoming	4,126,000	4,000,000	4,006,000
Guam	357,000	346,000	347,000
Virgin Islands	1,504,000	1,458,000	1,460,000
Indicia Postage	14,000,000	14,000,000	14,000,000
National Total	$777,398,000	$754,224,000	$755,200,000

1/ These are planning estimates based on amounts available for obligation and are subject to change. These preliminary amounts are based on currently available labor market information. The table assumes the 3 percent discretionary funds are distributed in the same manner as program year 1985.

EMPLOYMENT AND TRAINING ADMINISTRATION

ADVANCES TO THE UNEMPLOYMENT TRUST FUND AND OTHER FUNDS

	Page No.
Appropriation language	1
Amounts available for obligation	2
Summary of changes	2
Budget Authority by activity	3
Budget Authority by object	3
Significant items in FY 1986 House and Senate Appropriations Committees Reports	4
Authorizing legislation	4
Appropriation history	5
Justification:	
Appropriation	6
General statement	6
Activities:	
Advances	7

EMPLOYMENT AND TRAINING ADMINISTRATION

ADVANCES TO THE UNEMPLOYMENT TRUST FUND AND OTHER FUNDS

For repayable advances to the Unemployment Trust Fund as authorized by sections 905(d) and 1203 of the Social Security Act, as amended, and to the Black Lung Disability Trust Fund as authorized by section 9501(c)(1) of the Internal Revenue Code of 1954, as amended, and for nonrepayable advances to the Unemployment Trust Fund as authorized by section 8509 of title 5, United States Code, and to the "Federal unemployment benefits and allowances" account, to remain available until September 30, [1987] *1988*, [$465,000,000] *$413,000,000*.

AUTF-2

AMOUNTS AVAILABLE FOR OBLIGATION

	1985	1986	1987
Appropriation.....	---	$465,000,000	$413,000,000
Sequestered under P.L. 99-177.....	---	-215,000	---
A. Subtotal, appropriation.....	---	464,785,000	413,000,000
B. Total Available Budget Authority.	---	464,785,000	413,000,000
Unobligated balance, start of year...	$3,303,161,000	---	+35,297,000
Unobligated balance, end of year.....	---	-35,297,000	-297,000
Unobligated balance lapsing.....	-1,717,616,000	---	---
C. Total, estimated obligations.....	1,585,545,000	429,488,000	448,000,000

SUMMARY OF CHANGES

	1986	1987	Net Change
Budget Authority:			
General Funds.....	$464,785,000	$413,000,000	-$51,785,000

General Funds

Explanation of Change:

Decreases:

Built In:

To provide for a decrease in the amount necessary for repayable advances to the Black Lung Disability Trust Fund.....	-33,785,000
To provide for a decrease in the amount necessary for non-repayable advances to the Federal Unemployment Benefits and Allowances Appropriation.....	-18,000,000
Total Decrease.....	-51,785,000
Total Change.....	-51,785,000

AUTF-3

BUDGET AUTHORITY BY ACTIVITY

	1985 Comparable	1986 Appropriation	1986 1/ Estimate	1987 Estimate	Change
Budget Authority applied to General Funds:					
1. Advances.....	---	$465,000,000	$464,785,000	$413,000,000	-$51,785,000
Total Budget Authority.....	---	465,000,000	464,785,000	413,000,000	-51,785,000

1/ Included in 1986 Estimate:

Sequestered under P.L. 99-177..... -$215,000

BUDGET AUTHORITY BY OBJECT

	1985 Comparable	1986 Estimate	1987 Estimate
Advances.....	---	$464,785,000	$413,000,000
Total, budget authority by object.....	---	464,785,000	413,000,000

AUTF-4

SIGNIFICANT ITEMS IN 1986 HOUSE AND SENATE APPROPRIATIONS COMMITTEES REPORTS

Item

1986 House Report (No. 98-289)

No specific actions recommended.

1986 Senate Report (No 99-151)

No specific actions recommended.

1986 Conference Report (No. 99-402)

No specific actions recommended.

AUTHORIZING LEGISLATION

	Budget Request 1986 1/	1987
Legislation		
Authorizing legislation containing indefinite authority		
Section 9501(c)(1) of the Internal Revenue Code of 1954, as amended (Black Lung Disability Trust Fund)	$446,785,000	$413,000,000
Part I, Subchapter B, Chapter 2, Title II, of the Trade Act of 1974, as amended (19 U.S.C. 2101) (Federal Unemployment Benefits and Allowances)	13,000,000	---
Title II of P.L. 95-250 (The Redwood National Park amendments) (Federal Unemployment Benefits and Allowances)	5,000,000	---
Section 905 (d) of the Social Security Act, as amended (42 U.S.C. 1105 (a)) (Extended Unemployment Compensation Account)	---	---
Section 1203 of the Social Security Act, as amended (42 U.S.C. 1323) (Federal Unemployment Account)	---	---
Section 8509 of title 5, United States Code (Federal Employees' Compensation Account)	---	---

1/ Included in 1986 Request above:

Sequestered under P.L. 99-177..... $215,000

AUTF-5

APPROPRIATION HISTORY

	Budget Estimates to Congress	House Allowance	Senate Allowance	Appropriation
1977.....	$5,000,000,000	$5,000,000,000	$5,000,000,000	$5,000,000,000
1978.....	---	---	---	---
1979.....	700,000,000	700,000,000	700,000,000	700,000,000
1980.....	2,141,000,000	2,141,000,000	1,741,000,000	2,141,000,000
1981.....	670,000,000	660,000,000	1/	1,680,577,000
1982.....	4,325,000,000	4,318,000,000	4,318,000,000	4,318,000,000
1983.....	10,220,000,000	9,446,000,000	11,059,000,000	11,059,000,000
1984.....	7,109,000,000	7,109,000,000	3,086,000,000	7,109,000,000
1985.....	---	---	---	---
1986..... 2/	465,000,000	465,000,000	465,000,000	465,000,000
Sequestered under P.L. 99-177....				-215,000
1987.....	413,000,000			

1/ Not considered

2/ Does not include reductions pursuant to P.L. 99-177.

AUTF-6

EMPLOYMENT AND TRAINING ADMINISTRATION

ADVANCES TO THE UNEMPLOYMENT TRUST FUND AND OTHER FUNDS

JUSTIFICATION

	1985 Comparable	1986 Appropriation	1986 Estimate	1987 Estimate	Increase or Decrease
Advances.....	---	$465,000,000	$464,785,000	$413,000,000	-$51,785,000
Total Budget Authority..	---	465,000,000	464,785,000 1/	413,000,000	-51,785,000

1/ Included in 1986 Estimate above:

Sequestered under P.L. 99-177..... -$215,000

General Statement

This appropriation provides general fund advances to several trust and general fund accounts for the purposes authorized under various Federal and State unemployment compensation laws whenever the balances in such accounts prove insufficient. The accounts are: the Extended Unemployment Compensation Account, the Federal Employees' Compensation Account and the Federal Unemployment Account of the Unemployment Trust Fund, the Black Lung Disability Trust Fund, and the Federal Unemployment Benefits and Allowances general fund appropriation account.

The 1987 request anticipates that advances will be required for the Black Lung Disability Trust Fund. The balances in the Extended Unemployment Compensation Account, the Federal Unemployment Account of the Unemployment Trust Fund, the Federal Employees' Compensation Account, and the amount requested in 1987 for the Federal Unemployment Benefits and Allowances general fund appropriation account are expected to be sufficient for payment of benefits. However, if the need should arise due to unanticipated changes in the economic situation, advances will be made to the accounts to the extent they are available.

ADVANCES

1985 Comparable	1986 Appropriation	1986 Estimate	1987 Estimate	Increase or Decrease
---	$465,000,000	$464,785,000 1/	$413,000,000	-$51,785,000

1/ Included in 1986 Estimate above:

Sequestered under P.L. 99-177..... -$215,000

Introduction

Advances are made when the balance in any of the several accounts is insufficient for the payment of benefits or for the payment of Federal or State administrative expenses. Advances are made to the Extended Unemployment Compensation Account of the Unemployment Trust Fund to pay the Federal share of extended unemployment compensation benefit programs and, in 1985, to finance Federal Supplemental Compensation benefits; to the Federal Unemployment Account of the Unemployment Trust Fund to provide States with repayable loans for the purpose of paying regular and extended State unemployment insurance benefits; to the Federal Employees' Compensation Account of the Unemployment Trust Fund to provide for the payment of unemployment compensation benefits to former Federal employees, Postal service employees, and ex-servicemembers; to the Federal Unemployment Benefits and Allowances account to meet requirements under various Federal unemployment compensation laws and; to the Black Lung Disability Trust Fund for the payment of black lung disability benefits.

Advances made to the Federal Unemployment Account and advances made to the Extended Unemployment Compensation Account are repayable, without interest, to the general fund of the Treasury. Advances made to finance Federal Supplemental Compensation benefits, prior to the expiration of the program, were non-repayable. Advances made to the Federal Unemployment Benefits and Allowances appropriation account are non-repayable. All advances made to the Black Lung Disability Trust Fund are repayable, with interest, to the general fund of the Treasury.

1987 Budget Request

The request estimate is that $413,000,000 in budget authority and $35,297,000 of unobligated carry-over from 1986 totalling $448,297,000 will be available for transfer to the Black Lung Disability Trust Fund. Based upon current projections of trust fund outlays of $1,028,000,000 and anticipated revenues of $580,000,000 from the excise tax placed on coal tonnage and refunds from liable mine operators, a total of $297,000 of 1987 resources will be carried-in to 1988.

Current estimates indicate that it will not be necessary to advance resources to any other account covered by this appropriation. However, if the need should arise due to unanticipated changes in the economic situation, advances will be made to the accounts to the extent they are available.

1986

Advance requirements for the year are currently estimated to total $429,488,000. The $35,297,000 balance of budget authority available is expected to carry into 1987 as previously indicated.

AUTF-8

Black Lung Trust Fund advance requirements are estimated to be $411,488,000. This amount will provide the resources required to make up the difference between the $957,488,000 current projection of trust fund financing needs and the $546,000,000 revenues anticipated from the excise tax on coal tonnage and refunds from liable mine operators.

A total of $18,000,000 in advances is estimated to be required for the Federal Unemployment Benefits and Allowances (FUBA) account.

Under P.L. 99-177, $215,000 in budget authority is sequestered. In 1986 this account has available more than sufficient budget authority to meet all anticipated needs for advances to entitlement programs financed through appropriation, after the $215,000 is sequestered. Since P.L. 99-177 requires the reduction of entitlement payments financed by appropriation only to the extent insufficient amounts remain to meet anticipated needs after sequestration, the action does not affect programs in FY 1986.

1985

A total of $335,545,000 in repayable advances were made to the Black Lung Disability Trust Fund. A total of $1,250,000,000 of non-repayable advances were made to the Extended Unemployment Compensation Account for the Federal Supplemental Compensation program which expired in 1985.

Changes for 1987

Activity Changes:

Built-in:

Reduction in advances to the Black Lung Disability Trust Fund....	-$33,785,000
Reduction in advances to the Federal Unemployment Benefits and Allowances appropriation.....	-18,000,000
Total Built-in.....	-51,785,000

AUTF-9

Summary of Advances

	1985 Estimate	1986 Estimate	1987 Estimate
Extended Unemployment Compensation Account.....	$1,250,000,000	(---)	(---)
Regular Extended Compensation...	(---)	(---)	(---)
Federal Supplemental Benefits...	(1,250,000,000)	(---)	(---)
Federal Unemployment Benefits and Allowances.....	---	$18,000,000	---
Black Lung Disability Trust Fund..	335,545,000	411,488,000	$448,000,000
Total Obligations.....	1,585,545,000	429,488,000	448,000,000
Unobligated balance available, start of year.....	---	---	-35,297,000
Unobligated balance available, end of year.....	---	+35,297,000	+297,000
Total Budget Authority.....	1,585,545,000	464,785,000 1/	413,000,000

1/ Includes amounts sequestered under P.L. 99-177 of -$215,000.

WITNESSES

	Page
Barron, W.G	185
Bernard, R.L	277
Brock, Hon. W.E	21
Cohen, H.J	413
Cooper, J.N	413
Dalton, K.V	185
Dellinger, R.S	359
Emery, J.H	707
Frodyma, Frank	619
Gaudin, C.A	413
German, E.J	111
Golding, C.M	1157
Harris, William	707
Hyland, J.B	111
Jones, R.T	921, 979, 1157
Kass, D.M	549
Komarek, T.C	1, 21, 707
Lamonica, J.A	277
Litt, Nahum	707
Maria, Raymond	111
McMullen, James	111
Meisinger, S.R	413
Miles, J.B	619
Norwood, J.L	185
Peterson, G.W	111
Peterson, Shirley	1157
Plewes, T.J	185
Ramsey, R.L	707
Ricker, N.L	413
Rochlin, Jay	707
Rogers, L.W	413
Ross, Richard	111
Russell, Harold	707
Salem, George	707
Sawyer, J.M	921, 979
Schlossberg, S.I	549
Semerad, R.D	21, 921, 979, 1157
Shasteen, Donald	707
Shepich, T.J	277
St. Cyr, R.J	549
Stockman, J.A	277
Taylor, J.F	707
Thompson, H.R	359

Page

Tyson, P.R 619
Utgoff, K.P 359
Walsh, Michael 707
Whitcomb, M.A 185
White, P.O 619
Wyrsch, M.A 1, 21, 185, 277, 359, 413, 549, 619, 707, 921, 979, 1157
Zegeer, D.A 277

INDEX

Page

Bureau of Labor Statistics 185
- Average Pay Level 202
- Census Work 220–221
- Consumer Price Index Revision 198–199, 210–211, 218–220
- Employees 191
- FY 1987 Budget 190
- FY 1985 Fund Lapse 200–201
- Gramm-Rudman-Hollings 190–191, 191–192, 193, 212–214, 217
- Introductions 185
- Labor Market Information System 196–198
- Mandatory Increase 204–205
- Opening Statement 185–188
- Permanent Mass Layoff and Plant Closing Report 192, 209–210, 214–215, 222–223
- Productivity Decreases 192
- Professional, Administrative, Technical, & Clerical Pay Survey 194–196, 199–200, 201–202, 216–217
- Program Decreases 189, 222
- Program Improvements 189
- Program Increases 203–204
- Reports 211–212
- Service Sector 198, 223–226
- SIC Refiling 217–218
- Space Rental 200–203, 221
- User Fees 206–209

Departmental Management 797–919
- ADP Increases 736
- ADP Management 722, 734
- Black Lung 727, 756
- Bureau of International Labor Affairs 761
- Congressional Justifications 769
- Disabled Veterans' Outreach Program 732
- GAO Management Report 738
- Gramm-Rudman-Hollings Reductions 723, 759
- Indirect Costs 760
- Introduction of Associates 707
- Local Veterans' Employment Representatives 733
- National Council on the Handicapped 732
- Opening Statements 709, 713, 718
- President's Committee on Employment of the Handicapped 712, 730, 743, 762
- Productivity Improvements 725

Page

Departmental Management—Continued
Solicitor 729
Space Management 722
Space Rental 726
Telecommunications 722
Veterans' Employment 716, 751
Veterans' Programs and Services 725, 734
Veterans' Employment and Training Services 716
Women's Bureau 732, 749
Working Capital Fund 726, 760

Employment and Training Administration 921–1242
Automation Grants 1170, 1178, 1184, 1188, 1191–1193
Black Lung Trust Fund 1182
Budget Justifications 954–973, 1046–1156, 1196–1242
Budget Summaries 921–924, 979–983, 1157–1160
Community Service Employment for Older Americans 1003–1006, 1044, 1045
Employment Security Administration Account 1163
Gramm-Rudman-Hollings 926, 939, 985, 1162, 1163–1164, 1168, 1171
Job Corps 988–990, 991, 992, 1033, 1042
JTPA Grants to States 936–939, 990, 991, 992–994, 995–1002, 1008–1036, 1039, 1040
JTPA National Programs 985–988, 1001, 1002, 1032, 1038, 1042, 1043
Program Administration 984, 995, 1006, 1007, 1041
Redwood National Park amendments 1179
Rescission 929–936, 934–950, 952, 1180
State Employment Service 1168, 1173–1178, 1180–1182, 1186, 1194
Supplemental 926–929, 945, 951, 953
Targeted Jobs Tax Credit Program 1183, 1187
Trade Adjustment Assistance 1037, 1187
Unemployment Insurance Service 1161–1173, 1184
Unemployment Trust Fund 1164–1165, 1167, 1178, 1188–1194
Work Incentives 994, 995, 1001

Employment Standards Administration 413–547
Appropriation Request 419
Back Pay Agreements 473
Biographical Sketch 418
Black Lung Disability Trust Fund 424, 471
Budget Justification 484–547
Budget Request for Wage and Hour Division 469
ESA Top Level Positions 419
Executive Order Program 422
FECA District Office 25 466
FECA Level II ADP System 469
FECA Medical Fee Schedule 470
FECA Procedural Regulations 471
FECA Special Benefits Increase 465, 470, 476
FECA Staffing 467
Federal Employees' Compensation Act 477–479
Garcia Decision 423
Gramm-Rudman-Hollings Reductions 419, 421, 466, 468

Page

Employment Standards Administration—Continued
Management Improvements 419
Migrant and Seasonal Agricultural Worker Protection Act 481-482
Office Closings 479-480
Office of Federal Contract Compliance Programs 425, 463, 464, 472-475
Office of Inspector General Report 426-463
Opening Statement 413-417
Special Benefits 471
Productivity Savings 421
Space Rental Increases 468
Special Targeted Enforcement Program 482-483
Wage Hour Complaint Inventory 469
Within-Grades 468
Witnesses 413

Labor-Management Services 549
Budget Authority 591-592
Budget for 1987 ..... 549-552, 554-555, 557-559, 568, 571, 577, 586-594
Budget Justification 595-616
Bureau of Labor-Management Relations and Cooperative Programs 554-555, 571, 575-577
Compliance Audit Program 569-570
ERISA Coverage 567-568
GAO Study 565-566
Gramm-Rudman 561-565, 569
Labor Relations Conferences 572
Office of Labor-Management Standards 557-559, 568-569, 581-584
Pension and Welfare Benefits Administration 549-552, 564-565, 577-578
Pension Data Base System 566-567
Pension Investigators 567
Pension Plan User Fees 578
Pension Terminations 579
Plant Closings 572-575
Productivity Improvements 571
Research—BLMRCP 571-572
Retirement Income 580
Severance Benefits 581
Social Security 580-581
Space Rental 570
Special Election Fund 570

Mine Safety and Health Administration 277
Achieving Required Inspections in 1987 305
Additional Inspector Staff 298
Amending the Mine Act 299
Biographical Sketch 281
Budget Increases 301
Civil Penalty Collections 308
Coal Inspections 300
Commercial Collection Agency 308
Corrective Actions 297
Fatalities and Injuries 282
Follow-up of Miners' Complaints 310
GAO Report 284-296

Page

Mine Safety and Health Administration—Continued
Gramm-Rudman Restorations 282
GSA Space Charges 310
Impact of Gramm-Rudman-Hollings Reductions 283
Incentives to Meet Inspection Goals 306
Increases in Inspections 300
Inspection Shortfall 303
Inspections in Understaffed Districts 306
Inspector Positions 284
Introduction of Witnesses 277
Issues Raised in the GAO Report 297
Metal and Nonmetal Increase 300
Metal and Nonmetal Inspections 300
Miners' Complaints 310
Mines Receiving Less than Required Inspections 304
MSHA's Budget Request 311-357
National Mine Health and Safety Academy 301
Opening Statement 277-280
Other Inspections 299
Outstanding Civil Penalties 308
Paperwork Reductions 307
Recovery of Equipment Testing Costs 309
Reimbursements for Academy Use 301
Relocation of Inspectors 298, 306
Required Inspections 303
Required Inspections under Gramm-Rudman 305
Serious Penalty Assessments 308
Staffing Imbalances 306
Testing of Equipment by the Manufacturer 309
Training Exemption 307
Unsafe or Defective Equipment 310
Updating of Equipment Approval Fees 309

Occupational Safety and Health Administration 619-706
Annual survey 632-633
Debt collection 647-648, 652-653
Employee complaints 654
Employment levels 627
Enforcement policy 626-627
Field sanitation standards 629
Gramm-Rudman-Hollings reductions 625-626
Hazard Communication standard 651
Health standards promulgation 628-629
Health targeting systems 628
Increase in workplace injuries and illnesses 626
Injury and illness statistics 633, 652
Inspection levels 627
Inspection targeting 649
Integrated Management Information System 635, 650
Management objectives 642-644

Page

Occupational Safety and Health Administration—Continued
Maryland State plan 654
National Emphasis Programs 627-628
Negotiated rulemaking 629-630
New Directions program 638-640, 647
Noise standard 651-652
Nomination of new Assistant Secretary 624
On-site consultation 635-638
Opening remarks 619
OTA study 646-647
Penalty assessments 634
Regulatory review process 644, 654
Safety standards 648-649
Space rental payments 630-631
State benchmark staffing levels 630
State grant allocation formula 630
State grant budget reductions 635
State grant built-in increases 630
State plan participation 648
Supplementary Data System 654-655
Training Institute 641

Office of the Inspector General 111
Audits 117, 121-123, 127-128, 137-138, 142
Automated Data Processing 126
Budget Authority 151-152
Budget for FY 1987 ..... 111-114, 116, 146-150
Budget Process 118
Debts Owed Labor Department 136
Federal Managers' Financial Integrity Act 125
GAO Report 117, 128-129
Gramm-Rudman 116-117, 127, 142
Job Training Partnership Act 119-120, 124
Justification for Budget Estimates 155-182
Office of Investigations 123-124, 142
Office of Labor Racketeering 124-125, 130-131, 143-144
OIG Employment 118, 120-121, 138
OIG Organization 138-141, 143
Organized Crime 130-131
Pension Plans 125, 129-130
Productivity Improvements 120-121
Single Audit Act 119
Space Rental 126
Unemployment Insurance 133-135, 144
Workers' Compensation Programs 122-123

Pension Benefit Guaranty Corporation 359
Abusive claims 371
Backlogs 373, 374, 375
Calculation of Unfunded Liability 378
Contracts 375
Corporation's Location 377
Coverage 372
Data Processing Costs 376

Page

Pension Benefit Guaranty Corporation—Continued
Dumping of Pension Liabilities 369
Excess Asset Reversions 372-373
Executive Director's Background 367
Gramm-Rudman 367
Introduction of Witnesses 359
Investment Activity 369
Large Plan Terminations 368
Legislative Proposals 368, 370, 378
Litigation Activity 376
Monthly Benefits 375
Opening Statement 359-366
Organizational Changes 367
PBGC Deficit 367-368
Plan Termination Activity 369-370, 371-372
Plans in Trusteeship 375
Premium Collections 374, 375
Privatization 370-371, 379
Project Computers 376
Recruiting Actuaries 374
Recruiting Staff 374
Retraining Staff 377
Risk-Related Premium 369, 371, 380
Section 515 Withholding 374
Space Rental 377

Secretary of Labor 21-110
Affirmative Action 37-38, 76, 97
Black Lung Disability Trust Fund 62-63, 83-84
Budget request specifics 23-24
Current condition of the Department 29
Departmental staffing 43-44, 70
Dislocated workers assistance 35-36, 38-39, 47, 107-108
Fair Labor Standards Act 76, 109
Fiscal constraints 21-23
GAO management report 29-30, 48-54, 64-68, 81, 93
Gramm-Rudman-Hollings restorations 30-31, 69
Introduction 21
Job Corps 31-33, 44-46, 74-75, 98-99
Job Training Partnership Act 38, 87-92
Mass layoff report 33-35
Mine inspections 61-62
Minority unemployment 39-43
Opening statement 25-28
OSHA 82, 94-96
Pension responsibilities 78
Pilots and demonstrations 55, 100
President's Committee on Employment of the Employment of the Handicapped 79-80, 101
Professional, administrative, technical and clerical survey 44
Program targeting 57-58
Service sector data 104
Summer youth employment program 46-47, 73, 98-99
Technical assistance 55

Page

Secretary of Labor—Continued
Trade adjustment assistance 36, 48
UI automation grants 102–103
Unemployment insurance 69, 85, 110
Vocational education 74
Work incentives program 55–57, 71–72, 105

Technical Briefing 1–20
Budget authority and trust fund transfers 7
Budget decreases in 1987 5
Budget increases in 1987 4–5
Budget outline 1–2
FTE staffing 2–3
Gramm-Rudman-Hollings reductions 3, 8–17
Job Corps 18, 20
JTPA compared to CETA 19
Key policy points 6
Opening remarks 1
Rescissions 3–4
Summer youth program 18, 19, 20
Terminated programs 17